SOLTEQ

Annual Report 2016

Solteq turns your vision into digital commerce

Solteq is a digital commerce expert. We provide you with solutions that extend from supply chain management to digital marketing and from backend processes to customer experience – online, in mobile and in brick and mortar. Our passion to deliver the unexpected ensures that our clients can have the solutions today that they will need tomorrow. Our 450 experts, who work in three countries, develop solutions for Europe, North America, Asia and Australia.

Solteq's strengths

1. We understand the impact of digitalisation on the entire supply chain and on customer service. Our expertise combines expertise in commerce with vision of the future.

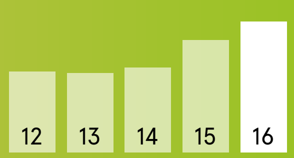
2. The focus is always on the customer of our client. Our client may be a wholesaler or a retailer, operate in the consumer or in the business market, or be a global giant or a small player. Commerce is what matters.

3. Our solution offering is comprehensive. It evolves at the forefront of the changing world. Combined with our passion to deliver the unexpected, it ensures that our clients can have today what they will need tomorrow.

Revenue, MEUR

63.0

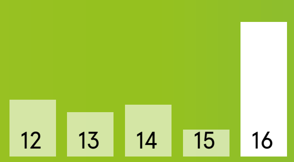
(54.2 MEUR 2015)



Operating profit, MEUR

6.4

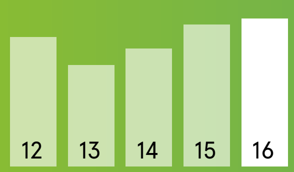
(1.3 MEUR 2015)



Adjusted operating profit MEUR

3.1

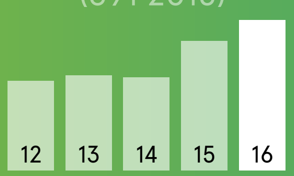
3.0 2015)



Number of personnel (average)

454

(391 2015)



Solteq’s year 2016

The year 2016 was a year of growth. In addition to new clients, M&A activities also boosted our growth.

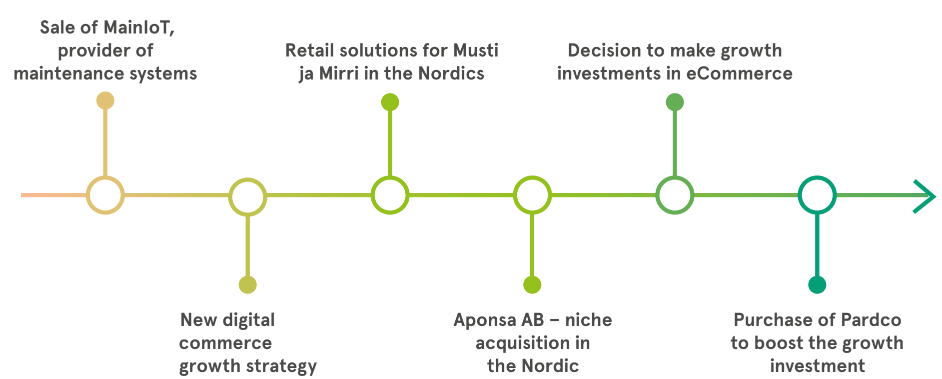
	2016	2015	CHANGE-%
Revenue, TEUR	63,049	54,215	16.3%
Operating profit, TEUR	6,444	1,288	400.3%
Adjusted operating profit, TEUR	3,114	2,990	4.1%
Result for the financial year, TEUR	4,612	102	4,421.6%
Earnings per share, EUR	0.26	0.01	2,500.0%
Operating profit, %	10.2%	2.4%	
Adjusted operating profit, %	4.9%	5.5%	
Equity ratio, %	33.5%	24.4%	
Number of personnel, average	454	391	16.1%

Solteq’s revenue for 2016 increased to 63.0 million euro (54.2 million euro). The adjusted operating profit amounted to 3.1 million euro (3.0 million euro). The revenue and the operating profit grew in the Digital Solutions segment. The segment focuses on solutions that improve customer experience in online business.

In spring 2016, we launched a new growth strategy focusing on digital commerce. We strengthened our position in the Nordics by acquiring Aponsa AB. We decided to make a growth investment in eCommerce and established a Magento competence center. The growth of the competence center was boosted by the acquisition of Pardco Group Oy.

We also grew by winning bids for client projects, which helped us expand to new markets, new business models and new technology.

TIMELINE – HIGHLIGHTS OF THE YEAR



Year of growth, growth investments and M&A activities

The year 2016 was a year of growth and M&A activities. Our work to achieve growth and boost our clients' success in Finland, the Nordics and globally will continue in 2017.

The past financial year saw several internal and external changes. In some of them, we succeeded, in some others, work was still left for 2017. On the whole, Solteq took major strategic steps forward.

Last year, our growth, +16%, was both organic and inorganic. We have strategic growth areas in which annual organic growth alone is almost 20%, but we also have areas in which both the revenue and operating profit decreased. In the last quarter, we launched measures to improve profitability in these areas.

In 2016, we actively screened potential company acquisition targets in the Nordics. The M&A activities that we took, e.g. divestment of MainIoT Oy, purchase of Aponsa AB in Sweden, purchase of Pardco Group Oy in Finland and establishment of a Magento competence center, were important both geographically and in view of our solution offering. We also carried out negotiations on a major international M&A-deal but decided not to proceed in them due to the risks involved.

We will also continue measures and surveys to establish the most effective ways to utilise our good financial and capital position. One example is that the Board of Directors has proposed to the Annual General Meeting that a dividend of €0.05 per share be distributed this year.

Video interview: Repe Harmanen's outlook of Solteq's year 2016.

See video >>

Employees' wellbeing creates good business

Our employees are at the core of our business. They are humane, top-class experts whose contribution is an important part of what we create for our clients.

In the past year, we invested in the wellbeing of our employees in many different ways. The Solteq Academy, the definition of the cornerstones of our corporate culture and the decision to use the extra hours resulting from the government's Competitiveness Pact on physical activities are examples of investments that promote the wellness and wellbeing of current and future Solteq employees.

As our business operations expand, new markets and solutions offer our employees opportunities to develop their career paths in Finland and abroad.

Always one step ahead of – for the benefit of the client

Exceeding the expectations of our clients has become an important goal for us. Our task is to provide a winning offering in omnichannel business for small, mid-market and large clients and help them succeed – we have to be one step ahead of others. Today, we already help our clients create better customer experiences in more than 30 countries, and this work will continue.

New business and service models are the cornerstones of our development. Our goal is that the majority of our business will be pure service business in the future. We believe that this will be the way for us to succeed better with our small and mid-market industrial, wholesale and retail clients in Finland, the Nordics and globally.

We extend our thanks to our clients and stakeholder groups for last year's successes, challenges tackled together, new thoughts and good collaboration. Together, we will make 2017 an even better year.

Repe Harmanen
CEO

Revolution in commerce creates a growing market

The significance of online and mobile commerce for business income is increasing. Brick and mortar is still holding up, but digitalisation is gaining foothold in the background.

Online channels have an effect on

50%

all the purchases made in traditional stores.

As consumers' buying habits change, retailers change their operating models. The significance of online and mobile commerce as a source of business income is increasing, but its impact on operating models is even bigger: as many as 50 percent of all the purchases made in traditional stores have been affected by online channels.

However, brick and mortar is still holding up. According to Gartner's forecast, 72% of business income flows will continue to come from traditional stores. However, even brick and mortar will have to adopt digitalisation; otherwise, the positive impact generated by online channels on sales figures will not materialise.

According to a survey conducted by Gartner for Finnish business and ICT decision makers, the most important investment targets for them are the improvement of customer experience and the development of digital products and services. The creation of preconditions for omnichannel commerce is seen as a necessity.

B2B commerce follows consumer commerce trends. The digitalisation of commerce is expanding from B2C to B2B. A mere digital product catalogue does not serve as an online sales model any more. Industrial online stores are expected to offer the same functionalities as the customers of our clients are used to in online retail stores. As in the digitalisation of consumer retail, this trend puts increasing pressures for the further development of backend systems.

Competitors

We have two main types of competitors. In more traditional retail and hospitality solutions, such as store systems, our main competitors are major software companies. In applications and marketing services, the range of competitors is much wider.

We differentiate ourselves from the competitors by offering solutions that cover the entire supply chain and a high level commerce expertise. We are agile. We are large enough to be a trustworthy partner, but at the same time, we are small enough to serve our clients in a flexible, innovative manner.

Commerce is changing – are you ready?
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Our service and solution offering
Read more >>

International growth in digital revolution

We are a growing, internationally expanding digital commerce expert. Our growth mostly comes from the Nordic countries but also from Finland and designated global clients.

The cornerstones of the strategy published in spring 2016 are digital commerce, growth and internationalisation. Growth will be generated by our highly competent experts and offering that covers the entire supply chain. The digitalisation of commerce will give momentum to it. Our customers act in the field of retail, wholesale and manufacturing, are B2C or B2B.

Growth and internationalisation

We pursue growth that is brisk and faster than the market growth. In Finland, our growth is supported by an expanding offering. We are better prepared than before to provide our existing and new clients with increasingly comprehensive services.

Most of our growth comes from outside Finland. As our strategy is to increase the number of global clients by means of precisely defined solutions that require special expertise, the compatibility of our solution with the client's business will be more important than geographical location.

Our growth in the Nordic countries is based on solutions that require local presence, for example, store solutions for omnichannel commerce. With regards to these solution areas, we will expand our local network.

Our solution offering

Our competitive advantage is an exceptionally wide solution offering that covers the entire process of digital commerce. Our solutions help our clients from procurement and supply chain via a genuine omnichannel store and online solutions to digital marketing.

M&A's

We will develop our services and geographical coverage through M&A activities. We see mergers and acquisitions as an essential part of our growth story.

People

The core of Solteq's strategy – digital commerce expertise – is based on the skills and competencies of our experts. As the world and our product portfolio develop, we intend to maintain the competencies of our experts at the top level to ensure that we will hold our lead over our competitors or even grow it. One way of ensuring our lead has been the establishment of Solteq Academy.

Solteq's strategy 2016-2019

Our goal is to reach a new size category by focusing on solutions that improve commerce and help our clients increase their revenues and enhance their competitiveness in globalisation and digitalisation of commerce.

We will expand internationally in the Nordic countries and with our global clients. In Finland we grow by increasing our digital commerce offering.

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Megatrends

Urbanisation

Digitalisation of commerce

Internationalisation of commerce

Strengthening role of mobile services

Growth requires investments

The new strategy has a strong focus on growth in the Nordic digital commerce market. Growth requires investments, such as company acquisitions and recruitments.

Growth investment in Nordic omnichannel commerce – high-end solutions available also for mid-market clients

Solteq's omincommerce expertise is among the strongest in the Nordic countries. It has, however, been at its best with large and global customers. Similar top-class partners have not been available to mid-market businesses.

In October 2016, Solteq decided to make a growth investment by establishing a Magento competence center. An online store based on the Magento platform combined with Solteq's other solutions will enable even mid-market clients to provide a uniform customer experience in different channels – brick and mortar, online and mobile.

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Niche acquisition to boost growth investment in omnichannel – Solteq acquired Pardco Group Oy

In October 2016, Solteq made a growth investment in Nordic omnicommerce business. To boost the investment Pardco Group Ltd, a company specialising in the development and maintenance of online stores based on the Magento platform, was acquired. The deal was concluded in December 2016.

The company acquisition increased the number of personnel in the Magento competence center to 15. Solteq finds the new-born synergy of eCommerce and digital marketing especially fruitful and beneficial for mid-market players. On the other hand, the Magento technology experts enjoy new projects and more versatile career paths.

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Acquisition of Aponsa AB to strengthen the foothold in the Swedish market

Solteq took a significant step forward in its Nordic growth strategy when it purchased Aponsa AB's entire share capital in October 2016. The company acquisition significantly increased Solteq's knowledge of LS Retail technology and the retail business in Sweden. After the acquisition of Aponsa AB, Solteq had about 30 digital commerce experts in Sweden.

The deal was a win-win arrangement for both the parties. Solteq strengthened its presence in the Swedish market and Aponsa its ability to digitalise Swedish retail business. The shared goal is to conquer the Nordic digital commerce market.

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We will digitalise commerce for you

Our clients' business is going through a digital revolution. We are a digital commerce expert who helps our clients to win the challenges of digitalisation in Finland, in the Nordics and globally – whether the business is online or more traditional.

1.

Digitalisation revolutionises the operating environment of businesses and creates a growing digital commerce market. The solutions that we provide for our clients are often critical to their operations, and our task is to help them win in the digital revolution.

Gartner has predicted that the value of IT service market in Finland will be 6.85 billion euro in 2017 and that it will continue to grow in 2018 and 2019. Globally, the IT service market is predicted to grow by 5.2% annually.

2.

Our competitive advantage is an exceptionally wide digital commerce solution offering and high level of expertise. Our solutions range from supply chain management to digital marketing and from backend processes to customer experience – online, in mobile and in brick and mortar.

Our services are at their best in the digital business of large, global and mid-market companies.

3.

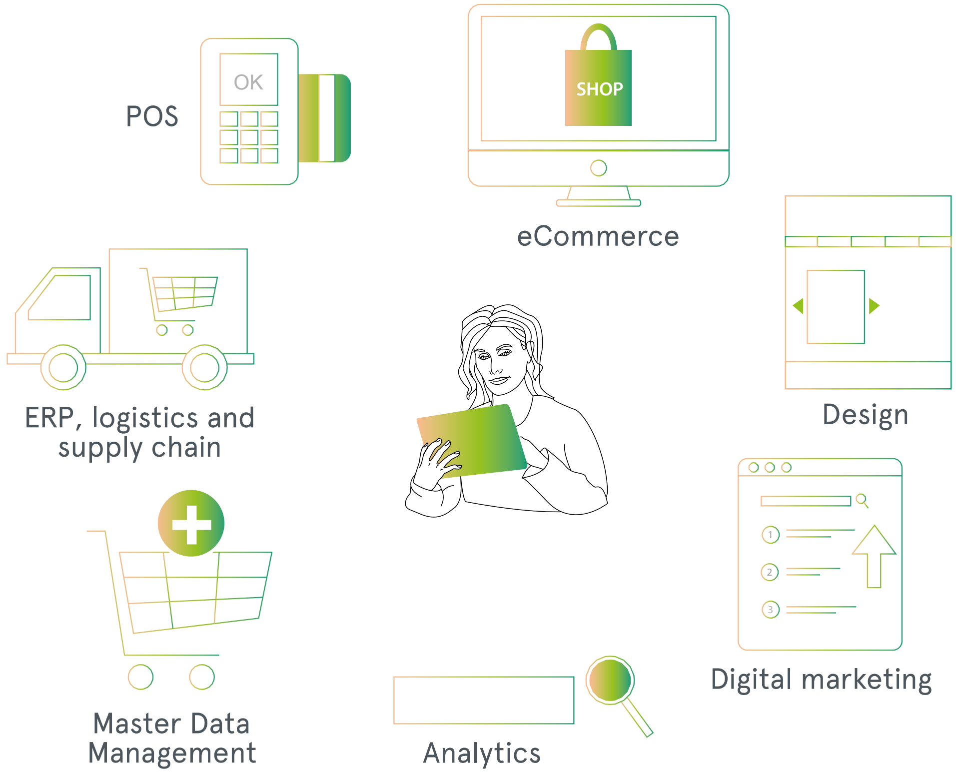
We aim at growth that is faster than the market in the Nordic countries and with specific solutions also globally. In Finland, we will grow mainly by increasing the share of our solution offering in our clients' business solution portfolios. In addition to organic growth, we will grow our solutions portfolio and geographical coverage through smart M&A activities in line with our strategy.

Customer Solutions and Digital Solutions

Description of the business segments

The **Solteq Digital Solutions** segment's services improve the customer experience in online environments. The solution may be an online store, mobile application, digital marketing or master data solution, or their combination.

The **Solteq Customer Solutions** segment provides services for store chains and hospitality operators undergoing changes brought about by digitalisation. The changes are related to both POS terminals, ERP systems and loyal customer schemes.



Huge growth leap in online business solutions

We have a burning desire to reform digital commerce. We grew by more than 50%, launched modern mobile and web solutions and invested in the growth of omnicommerce business.

The revenue of the Solteq Digital Solutions segment grew by more than 50% to 31.9 million euro from 2015. The operating profit developed almost as positively. It grew by one third. The growth was driven by spearhead of our digital commerce solutions, in which business grew faster than the year before. It should, however, be borne in mind that part of this business is not comparable with the previous year due to M&A activities. However, it seems that our strategic focus on digital commerce has been a decision that will boost the development of the company.

Our aim is to continue providing our clients with better and better services by improving the quality of our deliveries and by offering them something new. In 2016, we decided to invest in mobile and web solutions. They have helped us enter into new markets both geographically and through a transfer to cutting edge web applications based on cloud solutions. We have already implemented the first customer solutions.

Another significant expansion of both the product offering and the client segment was a growth investment to Magento-based online stores. This enables us to extend our services to mid-market companies. We increased our Magento expertise organically and by acquiring Pardco Group Oy.

In Poland, we took a significant step forward operationally. Ilkka-Cristian Niemi, the new Country Manager, has strengthened the role of Solteq Poland as an essential part of Solteq and the local ICT labour market.

We are expecially pleased that we have won a new major client, who is a large and well-known Finnish player in its sector. We will provide the customer with a comprehensive solution related to supply chain management. We have all the reason to believe that online business will continue to grow this year, too.

Revenue increased by

54%

compared to the previous year

News highlights

SOK to renew its product information master data management with Solteq.

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Growth investment in Nordic eCommerce business. Solteq establishes a Magento competence center.

Read more >>

Flying start to the Magento competence center. Solteq purchases Pardco Group Oy.

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Success stories

Assa Abloy

Assa Abloy, the global leader in access control solutions, expands globally through online stores to be established for more than a hundred brands and about 70 different markets.

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Sonera

Our client Sonera has been awarded as the best digital marketer in Finland several times, and also as the Digital Leader Number One in the Nordics in 2016.

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Metso

When the use of cloud services and flexibility requirements increased, Metso chose Solteq as its partner to ensure that integrations between different systems were implemented fluently and securely.

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Digitalisation hits the core of commerce

Our roots are in the core of commerce. Therefore, we understand the importance of digitalisation of backend systems better many other.

Revenue, MEUR

31,2

The revenue of the Solteq Customer Solutions segment was 31.2 million euro, i.e. about six percent less than in 2015. The decrease in the revenue was mainly due to the more traditional retail solutions in the segment. The operating profit of the segment decreased to 0.4 million euro (1.1 million euro). As we want to ensure that our solutions for commerce continue to be the best and most cost-effective in the industry, we launched an efficiency boosting programme concerning backend systems in June.

Our clients are having their backend systems digitalised, which is a necessary requirement for omnichannel encounters with their customers. In line with our strategy, we will focus on the digitalisation of the backend systems of dynamic mid-market retailers in the Nordic countries. The framework agreement that we signed with Musti ja Mirri Group Ltd on the delivery of a retail business solution in Finland, Sweden and Norway is an example of a customer project that complies with the new strategy.

The acquisition of Aponsa AB in October supports our growth strategy. We now have a stronger foothold in the Swedish market, and at the same time, we gained a good basecamp for Nordic market operations.

At the end of November, Ilkka Brander was appointed the new Vice President for the Solteq Customer Solutions segment. He has a strong track record in commerce, and he will lead the strategy compliant digitalisation of backend systems – the part of digital commerce that often is invisible to the end customers.

News highlights

Solteq to deliver a retail business solution for Musti ja Mirri Group in Finland, Sweden and Norway.

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The acquisition of Aponsa AB strengthens Solteq in the Swedish market.

Read more >>

Succes stories

Alko

Alko aims at superior customer service with new Solteq POS terminals. The backend processes are enhanced at the same time.

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TAF

The Athlete's Foot stepped into the Finnish footwear market. To support its operations, it gained a store system that facilitates sales.

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Budget Sport

Budget Sport's omnichannel operating model and centralised chain management required that the backend system would support these features. The solution was ERP system from Solteq.

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Solteqians, clever digital saviours

Extraordinary solutions are produced by extraordinary individuals, by people who are committed to helping clients to success. The Solteqians are digital saviours!

The most comprehensive digital commerce services are not based on mere technology. Expertise is created in and among people. The Solteqians are duly proud of themselves. They are proud of their competencies and strength that enables them to carry the client over troublesome waters. However, the Solteqians are also sensitive and humble enough to listen, hear and care.

As part of the creation of the new Solteq, we defined the cornerstones of our corporate culture – what we really are. The book entitled "Reach the Unexpected" was published. The title describes our will to reach the unexpected and extraordinary – the thing that makes our clients sigh "wow". The cornerstones of our culture are truthfulness, empathy and passion for the unexpected.

To ensure the necessary preconditions for growth, we recruited 85 new employees in 2016. Some of the new Solteqians are experienced digital commerce experts, while some of them are what we call junior diamonds. To ensure that both the existing and new Solteqians can develop their competencies, we launched Solteq Academy.

Solteqians' wellbeing is important to us. One way in which we invest in the wellbeing of our employees is supporting physical activity in different forms. Nice little things during the working day, the Everyday Unexpected, help us maintain an active mind. To ensure the wellbeing of our personnel, we carry out a job satisfaction survey three times every year. According to the results of the surveys, the best things in working for Solteq are the atmosphere and the co-workers.

Personnel 2016

454

Solteqians' work motivation

4,44

(scale of 1–5)

Children occupy Solteq's office

"Work and free time are both part of our lives", says Mari Kuha, Solteq's VP - HR and Culture. Therefore, we invited our children to the workplace.

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Competitiveness pact

Our competitiveness pact: 24 more hours for physical activity. Our everyday life is guided by simple rules: Solteqians come first, and decisions are based on common sense.

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Directed share issue to personnel

It is only fair that Solteq's employees benefit from the company's financial success. Therefore, Solteqians were offered an opportunity to become Solteq's shareholders.

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Responsibility shows in our choices and actions

As part of the society, we want to make good choices and take good care of each other. Respect as a global digital commerce player cannot be earned without responsible actions.

Corporate social responsibility evolves in everyday work through the choices and actions of our personnel, guided and supported by the company. All Solteqians are committed to complying with our business principles in their daily work. We want to act in an honest manner and make good choices, and we expect the same from our partners.

As people and wellbeing are especially important matters to us, social responsibility is highly valued in Solteq's daily work. We care for the wellbeing of each other and continuously develop our workplace to make it better.

By good working conditions and flexible operational models we help Solteqians find a balance in their lives. The work of an expert is full of challenges, sitting at the computer, hectic moments and self-improvement. As years go by at work, a lot of things happen in other areas of our lives.

In 2016, we achieved a lot. We established Solteq Academy, our in-house training centre, we enjoyed the services of our wellness coaches, and we learned new things about each other when our children occupied Solteq offices in November. An absolute star idea was also the one received from the personnel: using the extra hours due to the government's Competitiveness Pact on physical activity and makeing it part of our everyday routines.

Our work is also guided by our corporate culture, which features three virtues: empathy, passion for the unexpected and truthfulness. We appreciate the ability to step into another person's shoes, take the initiative and create something unexpected, and do things like a true stand-up guy or girl.

These principles and virtues are the building blocks of a sustainable future. By working together, we can share good things to each other and to those around us. Small streams make a big river.

Solteq's charity work: A day at the Särkänniemi Amusement Park for 100 families in need

Our amusement park day got a special dimension as we had the opportunity to bring joy to children in need.

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Learn more about our business principles

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Financial statements

Contents

Report of the Board of Directors

BUSINESS ENVIRONMENT AND BUSINESS DEVELOPMENT

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

During the year, a number of structural changes took place in the Finnish field of retail and commerce business and players were both merged and left the field. These changes strengthen our strategic vision of growing role for small and medium-sized customers and the importance of internationalization. Currently, a little less than 20% of our business comes from international customers.

Solteq Group's business is divided into two segments: Customer Solutions and Digital Solutions.

Solteq's Customer Solutions Segment serves the customers in wholesale business, retail chains and restaurant business and enables the management of customer experience and the improvement of the cost-effectiveness of the commerce processes.

The revenue of the Solteq Customer Solutions segment was 31.2 million euros, i.e. about six percent less than in 2015. The decrease in the revenue was mainly due to the more traditional retail solutions in the segment. As we want to ensure that our solutions for commerce continue to be the best and most cost-effective in the industry, we launched an efficiency boosting programme concerning backend systems in June. Regardless of the efficiency program, the operating profit of the segment decreased and was 0.4 million euros in 2016 (1.1 million euros in 2015).

The divestment of MainIoT Sofware Ltd in February 2016 and the acquisition of Aponsa AB in October 2016 support the focus on Nordic omnichannel commerce. The effect of MainIoT Software Ltd on the revenue of 2016 was +0,6 million euros and the effect on operating profit was −0,2 million euros. The effect of Aponsa AB on the revenue is +0,3 million euros and the effect on operating profit is −0,1 million euros.

Solteq's Digital Solutions Segment's services enable the online-commerce and improve its customer experience. In that case, the solution may be a online store, mobile solution, digital marketing or master data solution – or a combination of these solutions.

The revenue of the Solteq Digital Solutions segment was 31.9 million euros, i.e. about 54 percent more than in 2015. The reported growth in Digital Solutions Segment is due to the business consolidated to the Group from July 1 2015 (Descom). The main part of the consolidated business is presented as a part of the Digital Solutions segment. Operating profit of the segment remained on good level and was 2.7 million euros in 2016 (2.0 million euros in 2015).

Pardco Group Ltd, acquired in December 2016, is reported in Digital Solutions Segment from December 31 2016.

Profit guidance 2017

The adjusted operating profit is expected to grow compared to 2016.

The company has decided to find out, whether the voluntary adoption of the new IFRS 15 ("Revenue from Contracts with Customers") standard is possible already in the beginning of the year 2017. Due to the uncertain decision about the adoption of the new standard, the company publishes the instructions on the development trend of the revenue earliest with the first interim report 2017.

New strategy and company arrangements

On 25 May 2016 we published the new growth strategy, which focuses on international digital commerce and improvement of the customer experience as a source of the growth. During the new strategy period, our goal is to grow Solteq into a new size category by focusing on digital commerce services that will improve our client's business operations. Our services will help our clients increase their revenue and improve their competitive advantages in the world of globalisation and digitalisation. Multichannel commerce is here to stay, and understanding and meeting the customer in all the channels are important ways of increasing sales and enhancing operations. We will grow domestically by expanding the overall commerce offering and internationally by operating in the Nordic countries and with our global clients. We are a visionary expert of multichannel and digital commerce.

Our long-term financial targets are:

Key figure	Target
Minimum average annual increase in turnover	20%
Operating profit %	8%
Net debt / EBITDA	< 3,5
Dividend, approx, % of the net profit	30%

The growth strategy is implemented organically and through company arrangements. The first company arrangements in the financial year took place in February when Solteq sold the entire share capital of MainIoT Software Ltd, its fully owned subsidiary which supplied service and maintenance systems, to IFS group. The company arrangement was made because the service and maintenance systems are not the core solutions in commerce, on which Solteq has decided to focus according its new strategy.

The second company arrangement took place in October when Solteq acquired the entire share capital of Swedish Aponsa AB. By the acquisition of Aponsa AB Solteq strengthened its position in the market of chained retail business in Sweden and improved significantly its expertise in LS Retail technology. At the same time, we gained a good basecamp for Nordic market operations. After the Aponsa acquisition Solteq has appr. 30 experts of digital commerce in Sweden.

In October we decided to start the business area based on Magento-based online stores. With the started business area we aim to serve the Nordic mid-market commerce customers better and to enable the cost-effective omnichannel commerce for them. Our previous offering has been at its best for global commerce providers. Solteq acquired Pardco Group Ltd in December 2016. Pardco Group Ltd has specialized in development and maintenance of Magento-webstores. The company acquisition enhanced the Magento technology expertise by 8 people. In the end of the financial period 2016 there were already 15 employees working on Magento-business area.

In addition to above-mentioned company arrangements, negotiations on one significant company acquisition, which would have sped up the achievement of the strategic goals, were underway during the financial period. Due to the integration and business risks that arose during the due dilligence and negotiation process of the company acquisition, the company acquisition was decided to be discontinued. The decision was made in the final stage of the negotiation process and the costs of external due dilligence and negotiation, totaling to 503 thousand euros, were recognized in the financial year. The costs are presented as an adjustment item in the calculation of the adjusted operating profit.

REVENUE AND RESULT

Revenue increased by 16.3 per cent compared to the previous year and totaled 63,049 thousand euros (previous financial year 54,215 thousand euros).

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

From the beginning of the financial year 2016 the company has adobted the sales margin (Calculation of Financial Ratios) as an operative financial performance indicator to measure the growth. In future the sales margin is commented as a part of the financial indicators of the interim report. The sales margin for the review period was 45,111 thousand euros (39,062 thousand euros).

The operating result for the review period was 6,444 thousand euros (1,288 thousand euros). The adjusted operating result was 3,114 thousand euros (2,990 thousand euros).

Result before taxes was 4,731 thousand euros (305 thousand euros) and result for the financial year was 4,612 thousand euros (102 thousand euros).

Alternative performance measures to be used by Solteq in financial reporting

Solteq uses alternative performance measures to describe the company's underlying financial performance and to improve the comparability between reporting periods. The alternative performance measures should not be regarded as indicators that replace the financial key figures as defined in IFRS standards. As from the second quarter of 2016, Solteq's new definition for the earlier term "excluding (or before) non-recurring items" will be "adjusted". Operating profit (EBIT) excluding non-recurring items will be replaced by adjusted operating profit.

Solteq's other alternative performance measures will be sales margin, equity ratio, gearing, return on equity, profit from invested equity and net debt. The calculation principles of these financial key figures are presented as part of this financial statement.

Adjusted items to the operating profit:

Transactions that are not related to the regular business operations or valuation items that do not affect the cash flow but have an important impact on the income statement are adjusted as items that affect comparability. These non-recurring items may include the following:

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

Adjusted operating profit (EBIT):

By their contents, the definitions correspond to the financial key figures reported earlier as "excluding non-recurring items".

The reconciliations of the adjusted operating to operating profit are presented in the table below:

TEUR	Q4/16	Q3/16	Q2/16	Q1/16	Q4/15	Q3/15	Q2/15	Q1/15	2015
Adjusted operating profit (EBIT)	905	603	874	732	1,143	728	655	464	2,990
Adjusted items:									
Divestment of MainIoT Software Ltd	0	0	58	−4,187	0	0	0	0	0
Acquisition of Descom Group Ltd	0	0	0	0	31	789	0	0	820
Integration of Descom Group Ltd	0	0	0	0	882	0	0	0	882
Incentive scheme and option scheme (IFRS 2)	93	93	0	0	0	0	0	0	0
Impairments	57	0	0	0	0	0	0	0	0
Discontinued company acquisition project	0	503	0	0	0	0	0	0	0
Acquisition of subsidiaries	53	0	0	0	0	0	0	0	0
Adjustment items, total	**203**	**596**	**58**	**−4,187**	**913**	**789**	**0**	**0**	**1,702**
Operating profit (EBIT)	**702**	**7**	**816**	**4,919**	**230**	**−61**	**655**	**464**	**1,288**

BALANCE SHEET AND FINANCE

The total assets amounted to 61,232 thousand euros (64,251 thousand euros). Liquid assets totalled 8,477 thousand euros (2,619 thousand euros). In addition to liquid assets, the company has unused bank account limits amounting to a total of 2,000 thousand euros in the end of the financial year and in addition the company has an unused standby credit limit amounting to a total of 4,000 thousand euros.

The Group's interest-bearing liabilities were 25,752 thousand euros (28,410 thousand euros).

Solteq Group's equity ratio was 33.5 per cent (24.4 per cent).

On 1 July 2015 Solteq Plc (Solteq) issued an unsecured bond of 27 million euros which was used as the cash contribution payable as part of the purchase price for the entire share capital of Descom Group Oy (Descom) and the purchase of the capital loans of Descom and to refinance of the existing bank loans and other financial indebtedness of the groups of Solteq and Descom. The bond carries a fixed annual interest of 6 per cent and its maturity is five years. The financial covenants concerning the distribution of funds and incurring financial indebtedness other than permitted in the terms of the Bond (Incurrence Covenant) require that at any agreed review date, the Equity Ratio exceeds 27.5 per cent, the Interest Coverage Ratio (EBITDA / net interest cost) exceeds 3.00:1 and that the Group's Net Interest Bearing Debt to EBITDA ratio does not exceed 3.50:1.

To reduce the company's interest costs Solteq Plc repurchased and cancelled the share of 2.5 million euros of the above-mentioned bond during the financial period 2016.

INVESTMENTS, RESEARCH AND DEVELOPMENT

The gross investments during the financial period was +208 thousand euros (−23,259 thousand euros). −1,696 thousand euros of the gross investments of the financial period are mainly replacement investments, −1,381 thousand euros was related to the company acquisitions and +3,285 thousand euros was related to the divestment of a subsidiary.

−222 thousand euros of the gross investments of the reference year are mainly replacement investments and −23,037 thousand euros were related to the company acquisition.

Research and development

Solteq's research and development costs consist mainly of personnel costs. When developing basic products, it is Solteq's strategy to cooperate with global actors such as IBM, SAP, Symphony EYC and Microsoft and utilize their resources and distribution channels. Own development efforts are focused on added value products and developing tailored service concepts.

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

PERSONNEL

The number of permanent employees at the end of the review period was 441 (500). In the end of the review period the number of personnel could be divided as follows: Digital Solutions segment 188 people, Customer Solutions 189 people and 64 people in shared functions. The number of employees of the MainIoT Software Ltd, sold during the review period, was 41 people at the time of the transaction. Personnel of the subsidiaries acquired during the financial year was 28 people at the moment of the acquisititon.

Key figures for Group's personnel:

	2016	2015	2014
Average number of the personnel during the financial year	454	391	281
Employee benefit expenses (1,000 €)	24,756	21,484	15,234

RELATED PARTY TRANSACTIONS

Solteq's related parties include the board of directors, managing director and the management team. Related party actions and the euro amounts are presented in attachment 29.

SHARES, SHAREHOLDERS AND TREASURY SHARES

Solteq Plc's equity on 31 Dec 2016 was 1,009,154.17 euros which was represented by 17,798,059 shares. The shares have no nominal value. All shares have an equal entitlement to dividends and company assets. Shares are governed by a redemption clause.

At the end of the review period, the amount of treasury shares in Solteq was 825,881 shares. The amount of treasury shares represented 4,6% of the total amount of shares and votes at the end of the review period. The equivalent value of acquired shares was 46,828 euros.

No flagging accouncements were made during the financial year.

Exchange and rate

During the financial year, the exchange of Solteq's shares in the Helsinki Stock Exchange was 1.7 million shares (5.0 million shares) and 2.9 million euros (11.5 million euros). Highest rate during the financial year was 1.96 euros and lowest rate 1.50 euros. Weighted average rate of the share was 1.70 euros and end rate 1.60 euros. The market value of the company's shares in the end of the financial year totalled 28.5 million euros (31.7 million euros).

Ownership

In the end of the financial year, Solteq had a total of 1,984 shareholders (1,911 shareholders). Solteq's 10 largest shareholders owned 13,371 thousand shares i.e. they owned 75.1 per cent of the company's shares and votes. Solteq Plc's members of the board own 15 thousand shares on 31 December 2016 (15 thousand shares on 31 Dec 2015).

ANNUAL GENERAL MEETING

Solteq's Annual General Meeting approved the financial statement for period 1 Jan – 31 Dec 2015 and discharged the CEO and the Board of Directors from liability.

The Board of Directors' proposal of to the General Meeting that no dividend will be paid from the financial period ended on 31 December 2015 was accepted.

The Annual General Meeting decided that the 1§ of the Articles of Association is changed as follows: "The company's business name is Solteq Plc and it is domiciled in Vantaa".

The Annual General Meeting authorized the Board of Directors to decide on share issue, carried out with or without payment and on issuing share options, and other special rights referred to in Chapter 10, Section1 of the Finnish Companies Act as follows:

The maximum total amount of shares or other rights is 5,000,000. The authorization includes the right to give new shares or convey company's own shares. The authorization includes a right to deviate from the shareholders' pre-emptive right of subscription if there is a significant reason in company's opinion, e.g. to improve the capital structure, to finance and execute business acquisitions and other business improvement arrangements or to be used as a part of remuneration of personnel. The authorization includes that the board of directors may decide the terms and other matters concerning the share issue. The authorization is effective until the next Annual General Meeting, however, no longer than until 30 April 2017.

BOARD OF DIRECTORS AND AUDITORS

At Solteq Plc's Annual General Meeting on 16 March 2016 six members were elected to the Board of Directors. The General Meeting decided that Aarne Aktan, Eeva Grannenfelt, Kirsi Harra-Vauhkonen, Markku Pietilä, Mika Uotila and Olli Väätäinen are elected as Board members.

In the Board meeting, held after the Annual General Meeting, Mika Uotila was elected as the Chairman of the Board.

In addition the Board of Directors decided to appoint the Audit Committee. The members of the Audit Committee are Aarne Aktan, Markku Pietilä and Mika Uotila. Markku Pietilä acts as the Chairman of the Audit Committee.

KPMG Oy Ab, Authorized Public Accountants, was re-elected as Solteq's auditors. Lotta Nurminen, APA, acted as the chief auditor.

EVENTS AFTER THE REVIEW PERIOD

After the review period it was published that the board of directors approved subscriptions of 205,576 new shares. The new shares are expected to be entered into the Trade Register and applied for public trading in February 2017.

RISKS AND UNCERTAINTIES

The key uncertainties and risks in short term are related to the management of changes in financing and balance sheet structures, the timing and pricing of business deals that are the basis for revenue, changes in the level of costs and the company's ability to manage extensive contract agreements and deliveries.

The key business risks and uncertainties of the company are monitored constantly as a part of the board of directors' and management team's duties. In addition, the Company has the Audit Committee appointed by the Board of Directors.

PROPOSAL OF THE BOARD OF DIRECTORS ON THE DISPOSAL OF PROFIT FOR THE FINANCIAL YEAR

At the end of the financial period 2016, the distributable equity of the Group's parent company is 18,426,994.66 euros.

The Solteq Plc Board proposes to the Annual General Meeting that from financial year 2016 a dividend of 0.05 euros per share will be paid for each share.

No essential changes have taken place in the company's financial situation after the end of the financial period.

Financial statement

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

THOUSAND EUR	NOTE	THE GROUP 1 JAN–31 DEC 2016	1 JAN–31 DEC 2015	THE PARENT COMPANY 1 JAN–31 DEC 2016	1 JAN–31 DEC 2015
Revenue	1,3	63,049	54,215	61,238	31,425
Other income	4	4,222	125	4,998	0
Materials and services		–17,937	–15,153	–17,951	–8,636
Employee benefit expenses	7	–31,001	–26,374	–29,676	–16,176
Depreciation and impairments	6	–1,946	–1,782	–1,553	–725
Other expenses	5,8	–9,943	–9,744	–9,663	–6,277
Operating result		**6,444**	**1,288**	**7,393**	**–389**
Financial income	9	139	45	26	509
Financial expenses	10	–1,852	–1,029	–1,919	–960
Result before taxes		**4,731**	**305**	**5,500**	**–840**
Income tax expenses	11	–119	–203	–83	–28
Result for the financial year		**4,612**	**102**	**5,417**	**–868**
Other comprehensive income to be reclassified to profit or loss in subsequent periods					
Cash flow hedges		0	29	0	29
Taxes related to cash flow hedge		0	–6	0	–6
Other comprehensive income, net of tax		0	23	0	23
Total comprehensive income		**4,612**	**125**	**5,417**	**–845**
Earnings per share attributable to equity holders of the parent					
Earnings per share undiluted (EUR)		0.26	0 .01	0 .31	–0 .06

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

		THE GROUP		THE PARENT COMPANY	
THOUSAND EUR	NOTE	31 DEC 2016	31 DEC 2015	31 DEC 2016	31 DEC 2015
ASSESTS					
Non-current assets					
Property, plant and equipment	13	2,342	2,032	2,283	1,053
Goodwill	14	33,520	35,235	1,416	1,416
Other intanglible assets	14	3,990	4,958	34,635	8,625
Available-for-sales financial assets	15	562	987	528	577
Shares in subsidiaries	29	0	0	1,411	14,406
Trade receivables	18	347	207	347	12,260
		40,761	**43,419**	**40,621**	**38,337**
Current assets					
Inventories	17	55	23	31	23
Trade and other receivables	18	11,939	18,190	10,694	11,777
Cash and cash equivalents	19	8,477	2,619	7,707	370
		20,471	**20,832**	**18,432**	**12,170**
Total assets		**61,232**	**64,251**	**59,053**	**50,507**

		THE GROUP		THE PARENT COMPANY	
THOUSAND EUR	**NOTE**	**31 DEC 2016**	**31 DEC 2015**	**31 DEC 2016**	**31 DEC 2015**
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent					
Share capital	20	1,009	1,009	1,009	1,009
Share issue	20	164	0	164	0
Share premium reserve	20	75	75	75	75
Hedging reserve	20	0	0	0	0
Reserve for own shares	20	−1,109	−1,109	0	0
Distributable equity reserve	20	10,449	10,449	10,449	10,449
Retained earnings	20	9,726	4,983	7,978	2,375
Total equity		**20,313**	**15,407**	**19,675**	**13,908**
Non-current liabilities					
Deferred tax liabilities	16	821	1,019	690	174
Financial liabilities	23	25,511	27,385	25,467	27,345
		26,332	**28,404**	**26,157**	**27,519**
Current liabilities					
Trade and other payables	24	13,576	18,282	12,350	8,080
Tax liabilities based on the taxable income for the period		0	0	0	0
Financial liabilities	23	241	1,025	101	471
Provisions	22	770	1,133	770	529
		14,587	**20,440**	**13,221**	**9,080**
Total liabilities		**40,919**	**48,844**	**39,378**	**36,599**
Total equity and liabilities		**61,232**	**64,251**	**59,053**	**50,507**

CONSOLIDATED STATEMENT OF CASH FLOWS

THOUSAND EUR	NOTE	THE GROUP 1 JAN–31 DEC 2016	1 JAN–31 DEC 2015	THE PARENT COMPANY 1 JAN–31 DEC 2016	1 JAN–31 DEC 2015
Cash flow from operating activities					
Result for the financial period		4,612	102	5,417	−868
Adjustments for operating profit	26	−1,877	576	−3,040	582
Changes in working capital		2,903	705	2,878	−2,022
Interest paid		−1,852	−1,029	−1,919	−960
Interest received		139	45	25	509
Net cash from operating activities		**3,925**	**399**	**3,361**	**−2,759**
Cash flows from investing activities					
Acquisition of subsidiaries		−584	−15,891	−602	−16,123
Cash flow from subsidiary mergers		0	0	859	0
Divestment of subsidiary		6,700	0	8,038	0
Loans granted		0	0	0	−700
Investments in tangible and intangible assets		−890	−608	−1,702	−426
Net cash used in investing activities		**5,226**	**−16,499**	**6,593**	**−17,249**
Cash flow in financing activities					
Long-term loans, increase		0	27,000	0	27,000
Long-term loans, decrease		−3,101	−9,184	−2,425	−7,606
Payment of finance lease liabilities		−356	−751	−356	−727
Acquisition of own shares		0	−430	0	−430
Share issue to personnel		164	0	164	0
Dividend payment		0	−446	0	−446
Net cash used in financing activities		**−3,293**	**16,189**	**−2,617**	**17,791**
Changes in cash and cash equivalents		**5,858**	**89**	**7,337**	**−2,217**
Cash and cash equivalents 1 Jan		2,619	2,530	370	2,587
Cash and cash equivalents 31 Dec	**19**	**8,477**	**2,619**	**7,707**	**370**

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

THOUSAND EUR	2016	THE GROUP 2015	2016	THE PARENT COMPANY 2015
Cash and bank accounts	8,477	2,619	7,707	370
Total	**8,477**	**2,619**	**7,707**	**370**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

THE GROUP — **EQUITY BELONGING TO SHAREHOLDERS**

THOUSAND EUR	SHARE CAPITAL	SHARE ISSUE	OWN SHARES	SHARE PREMIUM ACCOUNT	HEDGING RESERVE	DISTRIBUTABLE EQUITY RESERVE	RETAINED EARNINGS	TOTAL
Equity 1 Jan 2015	**1,009**	**0**	**−1,069**	**75**	**−23**	**6,392**	**5,328**	**11,712**
Profit for the financial period							102	102
Other comprehensive income					23			23
Total comprehensive income for the financial period					**23**		**102**	**125**
Transactions with owners								
Own shares acquired			−40					−40
Directed share issue						4,242		4,242
Fees for the board members in the form of treasuty shares						127		127
Dividend distribution							−447	−447
Remuneration of the management						−312		−312
Transactions with owners			**−40**			**4,057**	**−447**	**3,570**
Equity 31 Dec 2015	**1,009**	**0**	**−1,109**	**75**	**0**	**10,449**	**4,983**	**15,407**
Profit for the financial period							4,612	4,612
Translation difference							−56	−56
Total comprehensive income for the financial period							**4,556**	**4,556**
Transactions with owners								
Stock optios scheme of the management							186	186
Share issue to personnel		164						164
Transactions with owners		**164**					**186**	**350**
Equity 31 Dec 2016	**1,009**	**164**	**−1,109**	**75**	**0**	**10,449**	**9,725**	**20,313**

THE PARENT COMPANY | **EQUITY BELONGING TO SHAREHOLDERS**

THOUSAND EUR	SHARE CAPITAL	SHARE ISSUE	SHARE PREMIUM ACCOUNT	HEDGING RESERVE	DISTRIBUTABLE EQUITY RESERVE	RETAINED EAR-NINGS	TOTAL
Equity 1 Jan 2015	**1,009**	**0**	**75**	**-23**	**7,187**	**3,730**	**11,978**
Profit for the financial period						-868	-868
Other comprehensive income				23			23
Total comprehensive income for the financial period				**23**		**-868**	**-845**
Transactions with owners							
Own shares acquired					-718	-40	-758
Directed share issue					4,242		4,242
Fees for the board member in the form of treasury shares					127		127
Dividend distribution						-447	-447
Management incentives					-389		-389
Transactions with owners					**3,262**	**-487**	**2,775**
Equity 31 Dec 2015	**1,009**	**0**	**75**	**0**	**10,449**	**2,375**	**13,908**
Profit for the financial period						5,417	5,417
Total comprehensive income for the financial period						**5,417**	**5,417**
Transactions with owners							
Stock options scheme of the management						186	186
Share issue to personnel		164					164
Transactions with owners		**164**				**186**	**350**
Equity 31 Dec 2016	**1,009**	**164**	**75**	**0**	**10,449**	**7,978**	**19,675**

Notes to consolidated financial statements

Group information

Solteq is an omnichannel commerce expert. We provide the solutions from supply chain management to digital marketing and from backend processes to customer experience – online, in mobile and in brick and mortar.

Solteq Plc's reported segments are Digital Solutions Segment and Client Solutions Segment. The segmentation reflects our customers demand on different areas.

In its meeting 16 February 2017, 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'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 31.12.2016. 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 legislation.

The Parent Company Solteq Oy adopted IFRS compliant financial statements as from 1 January 2011. The IFRS 1 Standard "First-time Adoption of International Financial Reporting" was applied in the transition. According to the Standard, when the parent company becomes a first time adopter of IFRS for the part of its Separate Financial Statements later than on the part of the Consolidated Financial Statements, the parent company shall measure its assets and liabilities to the same values as in the Consolidated Financial Statements, with the exception of adjustments based on the accounting policies applied to the Consolidated Financial Statements.

The Group accounting policies described here are applied to both the Group financial statement as well as to the parent company financial statement, unless otherwise mentioned. In addition to this, the term "company" refers to both the Group as well as the parent company.

The consolidated financial statements have been prepared on the historical cost basis of accounting, except for available-for-sale financial assets measured at fair value. The values are presented in thousand euros. As the values have been rounded, the total of the individual values may deviate from the presented totals.

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".

New and amended standards applied in financial year ended

Solteq Group has applied as from 1 January 2016 the following new and amended standards that have come into effect.

- *Annual Improvements to IFRSs (2012–2014 cycle) (effective for financial years beginning on or after 1 January 2016): The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The cycle contains amendments to four standards. Their impacts vary standard by standard but are not significant.*
- Amendment to IAS 1 Presentation of Financial Statements: Disclosure Initiative (effective for financial years beginning on or after 1 January 2016). The amendments clarify the guidance

in IAS 1 in relation to applying the materiality concept, disaggregating line items in the balance sheet and in the statement of profit or loss, presenting subtotals and to the structure and accounting policies in the financial statement. The amendments have had a minor impact on presentation in Solteq's consolidated financial statements.

Accounting policies for consolidated companies

Subsidiaries
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.

The subsidiary Descom Ltd merged to Descom Group Ltd and Descom Group Ltd merged to Solteq Plc on 1 January 2016. For that reason the Parent Company's income statements 2015 and 2016 are not comparable to each other.

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 machines and equipment. They are measured at historical cost less accumulated depreciation and possible impairment losses.

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

Machinery and equipment	2–5 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 January 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.

The goodwill arising from business mergers is recorded in accordance with 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 January 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.

In the parent company, the transaction is handled at book value as for companies under mutual control.

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. During the financial year 2016 total of 42 thousand euros of Government grants were received (42 thousand euros 2015).

Leases

Group as 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 liabilities are included in the financial 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 Company 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 goodwill and intangible assets not yet available for use regardless of whether or not there is any indication of impairment. 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.

Share-based payments

The Group has share and option based incentive schemes in which payments are made in equity instruments or in cash. The benefits granted in the arrangements are measured at fair value at the granting date and recognised as expenses in profit or loss over the vesting period. In arrangements payable in cash, the liability to be recognised and the change in its fair value are correspondingly allocated as expenses. The impact of the arrangements on the financial result is presented under employee benefit expenses.

The expense determined at the time the options are granted is based on the Group's estimate of the number of options that are assumed to be exercised at the end of the vesting period. The Group updates the expected final number of options at the closing date of each reporting period. Changes in the estimates are recognised in profit or loss. The fair value of the option arrangements is determined by using the Black-Scholes option pricing model, and the value of the share-based incentive arrangements is based on market data. The assets acquired through share prescriptions, adjusted with transaction expenses, are recognised in the reserve for unrestricted equity or share capital in accordance with the terms and conditions of the arrangement.

Provision 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.

The warranty provision is accumulated for the project business expenses while the project proceeds. The amount of the warranty provision is an estimate of anticipated warranty work based on previous experiences. The Group recognises a provision for onerous contracts when the expected benefits from a contract are less than the unavoidable costs of meeting the obligations.

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. There were no contingent liabilities in financial periods 2016 and 2015.

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. 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.

The calculated tax receivables and liabilities are deducted from each other, only in the case that the company has a legally enforceable right to even the tax receivables and liabilities of the period, and these are related to the income taxes of the same tax holder.

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. When the sale of licence and hardware is included in a long-term project they are recognized as income and expense based on the stage on completion.

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. A long-term project includes the services related to the project, software user rights as well as devices and costs related to them. For each project, the stage of completion is defined as a percentage share of the completed working days of the estimated total number of the working days. 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 dividend
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 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.

Doubtful sales receivables are written down through profit or loss based on risk assessment.

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 has applied 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. The interest rate swap ended 2015.

Determination of fair value
When the Group measures an asset item or a liability at fair value, the measurement is based on as highly observable input in the market as possible. The fair values are categorised at various hierarchy levels, depending on the input data used as follows:

- Level 1: The fair values are based on the quoted prices (unadjusted) of identical asset items or liabilities in a well-functioning market.
- Level 2: The fair values of the instruments are mostly based on other inputs than the quoted prices included at Level 1, however, on inputs that are observable for the asset item or the liability concerned either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: The fair values of the instruments are based on such inputs for the asset item or liability that are not based on observable market inputs (other than observable inputs) but are mainly based on the estimates of the management and on their use in generally accepted measurement models.

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 applicable in future financial years

Solteq Plc has not yet adopted the following new and amended standards and interpretations already issued by the IASB. The Group will adopt them as of the effective date or, if the date is other than the first day of the financial year, from the beginning of the subsequent financial year.
** = not yet endorsed for use by the European Union as of 31 December 2016.*

IFRS 15 Revenue from Contracts with Customers (effective for financial years beginning on or after 1 January 2018): The new standard replaces current IAS 18 and IAS 11 standards and related interpretations. In IFRS 15 a five-step model is applied to determine when to recognise revenue, and at what amount. Revenue is recognised when (or as) a company transfers control of goods or services to a customer either over time or at a point in time. The standard introduces also extensive new disclosure requirements.

Solteq Oyj's operative management and the audit committee of the Board have preliminary evaluated the impacts of the new standard to the group's financial statements and in this phase conclude following:

- The new standard has a significant impact to the revenue of the group and to the relative profitably, but the impact to the absolute profitability is estimated being minor.
- The impact arises mostly from the application guidance in the standard for principal versus agent considerations: this will define the way the revenue is recognised for third party software, services and devices which are retailed by the group.
- The group preliminary interpretes that in relation to the retail the group acts as an agent as it will not control these products or services before they are transferred to the customer. Therefore the products or services would be recognised as revenue in the net amount of the consideration which is the amount that equals to the difference between the sales price and purchase price (previously recognised in revenue in the gross amount which equals to the sales price of the customer contract.)
- For the financial year 2016 the change described above would reduce the revenue of the group according to the preliminary estimate EUR 8–10 million, with no impact to the result of the group.
- Solteq Oyj's operative management and the audit committee of the Board have decided to find out whether the voluntary adoption of the standard from the beginning of 2017 would be practically possible. The target of early adopting would be to clarify the financial reporting in relation to IFRS 15 and to minimise the transition period.
- The group will notify the timetable of the adoption of IFRS 15 once the detailed analysis and assesments have been completed, at the latest in the Interim Review for Q1 2017
- Amendments to IFRS 15 – Clarifications to IFRS 15 Revenue from Contracts with Customers* (effective for financial years beginning on or after 1 January 2018). The amendments include

clarifications and further examples on how to apply certain aspects of the five-step recognition model. The impact assessment of the clarifications has been included in the IFRS 15 impact assessment described above.

- FRS 9 Financial Instruments* (effective for financial years beginning on or after 1 January 2018): IFRS 9 replaces the existing guidance in IAS 39. The new standard includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The impacts of IFRS 9 on Solteq Groups's consolidated financial statements have been preliminary assessed and the expect impacts are not significant.
- IFRS 16 Leases* (effective for financial years beginning on or after 1 January 2019): The new standard replaces the current IAS 17 –standard and related interpretations. IFRS 16 requires the lessees to recognise the lease agreements on the balance sheet as a right-of-use assets and lease liabilities. The accounting model is similar to current finance lease accounting according to IAS 17. There are two exceptions available, these relate to either short term contacts in which the lease term is 12 months or less, or to low value items i.e. assets of value USD 5 000 or less. The lessor accounting remains mostly similar to current IAS 17 accounting. The preliminary impact assessment of the standard has been started in the group.
- Amendments to IAS 7 Statement of Cash Flows- Disclosure Initiative* (effective for financial years beginning on or after 1 January 2017). The changes were made to enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments have an impact on the disclosures in ABC's consolidated financial statements.

The Company estimates that the other published standards or interpretations published before the closing date will have no impacts on its Financial Statements.

1 Operating segment information

In the Solteq Group, the highest operative decision maker is the CEO, who monitors the results and takes decisions on the allocation of the resources through two business segments. The Group has not combined the business segments in order to form reportable segments; the business segments as such also form reportable segments.

Solteq Group's business is divided into two segments: Customer Solutions and Digital Solutions.

Segmentation reflects our customers' demand on different sectors of the services provided. MainIoT Software Ltd, divested in the financial year, is reported as a part of the Customer Solutions segment until 29 February 2016. The subsidiary Aponsa AB, acquired in the financial period, is consolidated to Customer Solutions segment from 1 November 2016 and the subsidiary Pardco is consolidated to Digital Solutions segment from 31 December 2016.

The highest operative decision maker monitors the result of each reportable segment through a profit/ loss figure based on IFRS reporting. The assets and liabilities of the reportable segments are not monitored as there is no realistic way of allocating them to the segments. The consolidated turnover is allocated to the segments; the segments have no significant mutual business transactions. The combined operating profit of the segments equals the consolidated operating profit before non-recurring items. The cost from the shared services are directed to segments relative to the turnover or personnel costs depending on the item to be directed. The reconciliation between the operating profit and the Group's profit before taxes consists of the financial items in the consolidated income statement that are not allocated to the segments.

The most essential products and service types of the Group are software services, licenses and hardware sales. As the Group mainly operates in Finland for the present, no Community-level geographical information on revenue from external sources or long-term assets has been presented separately. Revenue consists of several individual customerships. At the most, one client corresponds to less than ten percentages of the revenue.

REPORTED SEGMENTS 2016, THOUSAND EUR	CUSTOMER SOLUTIONS	DIGITAL SOLUTIONS	ITEMS UNALLOCATED TO SEGMENTS"	TOTAL
Revenue	31,183	31,865		**63,049**
Result for the financial period	429	2,686	3,300	**6,444**
Depreciation and asset write-downs	–934	–955	–57	**–1,946**
Expenses that do not include payment transactions*	180	183		**363**

REPORTED SEGMENTS 2015, THOUSAND EUR	CUSTOMER SOLUTIONS	DIGITAL SOLUTIONS	ITEMS UNALLOCATED TO SEGMENTS	TOTAL
Revenue	33,439	20,777		**54,215**
Result for the financial period	1,134	2,009	–1,855	**1,288**
Depreciation and asset write-downs	–1,099	–683		**–1,782**
Expenses that do not include payment transactions*	–310	–192		**–502**

*Warranty provisions and other provisions

2 Business combinations

Financial year 2016

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

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

Impact of the acquired company to Solteq group

AGGREGATE FIGURES FOR THE ACQUISITION THOUSAND EUR	ACQUISITION DATE
Consideration	
Paid in cash	602
Directed issue	779
Total	**1,381**
Provisional values of the assets and liabilities from the acquisition, preliminary values on acquisition date	
Tangible fixed assets	39
Deferred tax assets	40
Available-for-sale financial assets	31
Inventories	12
Trade and other receivables	456
Cash and cash equivalents	18
Total assets	**596**
Trade payables and other liabilities	–583
Loans	–125
Total liabilities	**–708**
The preliminary goodwill value from the acquisition	**1,493**
Cash flow from the acquisition	
Consideration paid in cash 2016	602
Cash and cash equivalents of acquired company on the acquistion date	18
Total cash flow from the acquisition	**584**

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

Expenses related to the acquisition	
Other expenses	53
Total expenses related to the acquisition	**53**
Impact on the Solteq Group's number of personnel	**28**

IMPACT ON THE SOLTEQ GROUP'S COMPREHENSIVE INCOME STATEMENT	11–12/2016
Revenue*	326
Operating profits*	–133

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

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

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

Financial year 2015

On July 2 2015, Solteq acquired the entire capital stock of Descom Group Oy. As a result of the corporate acquisition, Descom Group Oy became a subsidiary entirely owned by Solteq Plc. Descom Group Oy was merged to Solteq Plc on 1 January 2016.

Through the transaction, Solteq and Descom actively implement their strategy. For the companies, which aim at being a leading provider of digital commerce services in Finland and the Nordic countries, the transaction will provide a good starting point for speeding up the implementation of their strategy. The solution and service offerings of the two companies complement each other in an excellent manner, and no overlapping has been detected in their offerings. Consequently, the company resulting from the transaction will be able to offer an excellent overall offering to their current and new clients.

Descom Group is consolidated to Solteq Group from July 2 2015.

Impact of the acquired company to Solteq group

AGGREGATE FIGURES FOR THE ACQUISITION	**2 JUL 2015**
THOUSAND EUR	
Consideration	
Paid in cash	6,601
Directed issue	4,536
Total	**11,137**
Provisional values of the assets and liabilities arising from the acquisition	
Tangible fixed assets	992
Intangible assests, customerships*	3,520
Other intangible assets	164
Deferred tax assets	181
Available-for-sale financial assets	8
Trade and other receivables	7,850
Cash and cash equivalents	1,139
Total assets	**13,854**
Capital loans	−11,950
Trade payables and other liabilities	−5,399
Loans	−6,949
Provisions	−187
Deferred tax liabilities	−738
Total liabilities	**−25,223**
The goodwill value from the acquisition	**22,506**
Cash flow from the acquisition	
Consideration paid in cash and the purchase of capital loans	**18,501**
Cash and cash equivalents of the acquired company 2 Jul 2015	1,139
Total cash flow from the acquisition	**17,362**

Goodwill consists of assets that cannot be separated like synergy benefits, competent personnel, market share and entrance to new markets. Adjustments of the fair value to the other intangible assets reflect the value of Descom Group's customerships.

Expenses related to the acquisition	
Other expenses	820
Transaction costs of the Bond (allocated to financial expenses during the loan period)	360
Distributable quity reserve	294
Total expenses related to the acquisition	**1,474**
Impact on the Solteq Group's number of personnel	240

IMPACT ON THE SOLTEQ GROUP'S COMPREHENSIVE INCOME STATEMENT	Jul-Dec/2015
Revenue*	18,090
Operating profit*	1,104

* The amount of the revenue and the operating profit from acquisition date to the end of the reporting period. The acquired company is consolidated into the Solteq Group as of July 2, 2015. The revenue and the operating profit of the acquired company as the acquisition had taken place at the first day of the reporting period are not presented, because many significant pre-acquisition arrangements were performed in June 2015.

3 Revenue and long-term contacts

	THE GROUP		THE PARENT COMPANY	
THOUSAND EUR	2016	2015	2016	2015
Services	42,892	29,143	41,649	18,115
Income from construction contracts	11,052	10,594	10,737	5,340
Income from software licenses	8,133	12,969	7,938	6,461
Sales of hardware	972	1,509	914	1,509
Total	**63,049**	**54,215**	**61,238**	**31,425**

By the end of the year, actual income amounting to a total of 12,964 thousand EUR (11,276 thousand euros in 2015) were recognised from ongoing long-term projects in the Group and 12,684 thousand EUR (6,419 thousand euros in 2015) in the Parent company.

At 31 December 2016, receivables connected with ongoing long-term projects amounted to 428 thousand EUR in the Group and in the Parent company (122 thousand EUR in the Group and in the Parent company at 31 December 2015) and advances amounting to 501 thousand euros received for long-term projects in the Group in the Parent company (1,066 thousand euros received advances in the Group and 902 thousand euros in the Parent company at December 31, 2015).

4 Other income

	THE GROUP		THE PARENT COMPANY	
THOUSAND EUR	**2016**	**2015**	**2016**	**2015**
Other income	4,222	125	4,998	0
Total	**4,222**	**125**	**4,998**	**0**

A significant share of the other income in 2016 consists of the capital gain from the divestment of subsidiary MainIoT Software Ltd which was 4,129 thousand euros in the Group and 4,965 thousand euros in the Parent company.

5 Other expenses

	THE GROUP		THE PARENT COMPANY	
THOUSAND EUR	**2016**	**2015**	**2016**	**2015**
Telephone and telecommunications costs	635	373	613	308
Rental expenses	2,215	2,632	2,174	1,231
Car and travel expenses	1,207	1,622	1,160	825
External services	3,489	3,262	3,234	2,421
Loss-making projects	−95	130	−95	130
Impairment losses	58	−6	58	−21
Warranty provisions	241	−263	241	−225
Other expenses	2,193	1,994	2,278	1,607
Total	**9,943**	**9,744**	**9,663**	**6,277**

Auditor's fee

	THE GROUP		THE PARENT COMPANY	
THOUSAND EUR	**2016**	**2015**	**2016**	**2015**
Auditing	45	66	35	41
Certificates and statements	0	50	0	37
Tax consulting	21	40	21	35
Other services	10	20	10	18
Total	**76**	**176**	**66**	**131**

6 Depreciation, amortisation and impairment

	THE GROUP		THE PARENT COMPANY	
THOUSAND EUR	**2016**	**2015**	**2016**	**2015**
Depreciation by asset group				
Intangible assets				
Goodwill	0	0	8	0
Development costs	19	228	0	112
Intangible rights	912	638	561	57
Other intangible assets	42	154	43	23
Total	**973**	**1,020**	**612**	**192**
Tangible assets				
Machinery and equipment	916	763	884	533
Total	**916**	**763**	**884**	**533**
Impairment by asset group				
Other intangble assets	57	0	57	0
Total	**57**	**0**	**57**	**0**

7 Employee benefit expenses

	THE GROUP		THE PARENT COMPANY	
THOUSAND EUR	**2016**	**2015**	**2016**	**2015**
Salaries and wages	24,756	21,484	23,754	13,248
Pension expenses - defined contribution plan	4,438	3,795	4,245	2,303
Other personnel expenses	1,561	1,095	1,431	625
Share based payments	**246**	**0**	**246**	**0**
Total	**31,001**	**26,374**	**29,676**	**16,176**

AVERAGE NUMBER OF EMPLOYEES IN GROUP DURING FINANCIAL PERIOD	**2016**	**2015**	**2016**	**2015**
Digital Solutions	198	0	181	0
Customer Solutions	190	0	186	0
Grocery and special retail, HoReCa	0	106	0	106
Wholesale, logistics and services	0	78	0	78
Descom	0	103	0	0
Enterprise Asset & Service Management	0	40	0	0
Shared functions	66	65	64	47
Total	**454**	**391**	**431**	**231**

The number of employees of the MainIoT Software Ltd, sold during the review period, was 41 people at the time of the transaction. MainIoT Software Ltd is consolidated to Solteq Group until February 28, 2016. The number of employees of the companies acquired in the financial year was 28 people at the acquisition dates.
Information on management's employee benefits is presented in note 29 Related party transactions and in note 21 Share-based payments.

8 Research and development costs

Income statement for 2016 includes research and development costs in the amount of 795 thousand euros (872 thousand euros in 2015).

9 Financial income

	THE GROUP		THE PARENT COMPANY	
THOUSAND EUR	**2016**	**2015**	**2016**	**2015**
Interest income from loans and receivable	137	2	24	509
Dividend income from held-for-sale financial assets	2	43	2	0
Total	**139**	**45**	**26**	**509**

10 Financial expenses

THOUSAND EUR	**2016**	**2015**	**2016**	**2015**
Interest expenses from financial expenses in amotized costs	1,778	1,013	1,762	944
Other financial expenses	74	16	74	16
Impairment loss, long-term investments	0	0	83	0
Total	**1,852**	**1,029**	**1,919**	**960**

Financial expenses include 61 thousand euros of variable rents relating to financial leasing contracts in the Group and in the Parent company (33 and 32 thousand euros in 2015).

11 Income taxes

	THE GROUP		THE PARENT COMPANY	
THOUSAND EUR	**2016**	**2015**	**2016**	**2015**
Tax based on the taxable income for the period	319	283	266	-85
Taxes from previous periods	-212	-48	-212	-23
Deferred taxes	12	-32	29	136
Total	**119**	**203**	**83**	**28**

	THE GROUP		THE PARENT COMPANY	
THOUSAND EUR	2016	2015	2016	2015
Result before tax	4,731	304	5,500	−840
Taxes based on domestic tax rate	946	61	1,100	−168
Non-taxable sale of shares	−826	0	−993	0
Amortization of the shares of subsidiaries	0	0	28	0
Non-deductible expenses	15	24	15	18
Unrecognised losses in taxation relationg to subsidiaries	27	4	0	0
Expenses recognised to the share value of the company acquisition	11	57	11	57
Carryforward of unused tax losses	82	57	82	57
Management incentives	49	0	49	0
Other differences	27	52	2	87
Taxes from previous periods	−212	−52	−212	−23
Taxes in the income statement	**119**	**203**	**83**	**28**

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. As published on July 15 2016 The Company has an ongoing share option program for the key employees of the Company, but it did not have a dilutive effect in the end of the financial year because the share subscription price 3.00 euros per share is significantly higher than the share price 1.60 euros per share on December 31 2016. The share issue directed to the personnel of the Company was ongoing on December 31, 2016 and it is carried out with 206 thousand new shares and two directed share issues with 461 thousand own shares held by the Company. The shares are taken into account when calculating the earnings per share. The share's fair value is based on the average price of the shares over the financial period.

	2016	2015
Profit for the financial period attributable to equity holders of the parent company (thousand EUR)	4,612	102
Weighted average of the number of shares during the financial period (1000)	17,639	15,719
Undiluted EPS (EUR/share)	0.26	0.01
Dilutive effect has no influence on earnings per share (EPS)		

13 Property, plant and equipment

THE GROUP

THOUSAND EUR	MACHINERY AND EQUIPMENT	OTHER TANGIBLE ASSETS	TOTAL
Acquisition cost 1 Jan 2016	7,902	21	7,923
Acquisition of subsidiary	39	0	39
Additions	1,497	6	1,503
Reductions	−316	0	−316
Acquistition cost 31 Dec 2016	**9,122**	**27**	**9,149**
Accumulated depreciation and impairment 1 Jan 2016	5,891	0	5,891
Depreciation	916	0	916
Accumulated depreciation and impairment 31 Dec 2016	**6,807**	**0**	**6,807**
Book value 1 Jan 2016	2,011	21	2,032
Book value 31 Dec 2016	2,315	27	2,342
Acquisition cost 1 Jan 2015	6,758	21	6,779
Acquistion of subsidiary	992	0	992
Additions	426	0	426
Reductions	−274	0	−274
Acquistition cost 31 Dec 2015	**7,902**	**21**	**7,923**
Accumulated depreciation and impairment 1 Jan 2015	5,128	0	5,128
Depreciation	763	0	763
Accumulated depreciation and impairment 31 Dec 2015	**5,891**	**0**	**5,891**
Book value 1 Jan 2015	1,630	21	1,651
Book value 31 Dec 2015	2,011	21	2,032

THE PARENT COMPANY

THOUSAND EUR	MACHINERY AND EQUIPMENT	OTHER TANGIBLE ASSETS	TOTAL
Acquisition cost 1 Jan 2016	3,981	21	4,002
Merger of the subsidiary	902	0	0
Additions	1,528	0	1,528
Reductions	−316	0	−316
Acquisition cost 31 Dec 2016	**6,095**	**21**	**6,116**
Accumulated depreciation and impairment 1 Jan 2016	**2,949**	**0**	**2,949**
Depreciation	884	0	884
Accumulated depreciation and impairment 31 Dec 2016	3,833	0	3,833
Book value 1 Jan 2016	1,032	21	1,053
Book value 31 Dec 2016	2,262	21	2,283
Acquisition cost 1 Jan 2015	4,046	21	4,067
Business transfer	−93	0	−93
Additions	302	0	302
Reductions	−274	0	−274
Acquisition cost 31 Dec 2015	**3,981**	**21**	**4,002**
Accumulated depreciation and impairment 1 Jan 2015	2,416	0	2,416
Depreciation	533	0	533
Accumulated depreciation and impairment 31 Dec 2015	**2,949**	**0**	**2,949**
Book value 1 Jan 2015	1,630	21	1,651
Book value 31 Dec 2015	1,032	21	1,053

EUR 1,934 thousand remained to be depreciated of the group's and parent company's machinery and equipment on 31 Dec 2016 (1,037 thousand euros 31 Dec 2015).

Financial leases

Property, plant and equipment include computers, other devices and automobiles acquired by financial leases as follows:

	THE GROUP	THE PARENT COMPANY
THOUSAND EUR	MACHINERY AND EQUIP-MENT	MACHINERY AND EQUIP-MENT
31 Dec 2016		
Acquisition cost	4 962	4 962
Acquisition cost of the expired items	1 313	1 313
Accumulated depreciation	4 341	4 341
Depreciation left and residual values of the expired items	643	643
Book value	1 291	1 291
31 Dec 2015		
Acquisition cost	4,564	4,455
Acquisition cost of the expired items	677	677
Accumulated depreciation	3,965	3,922
Depreciation left and residual values of the expired items	274	274
Book value	1,002	936

EUR 1,034 thousand worth of assets under financial leases is included in the additions In the Group and in the Parent Company in 2016 (371 thousand euros in the Group and 322 thousand euros in the Parent Company 2015).

14 Intangible assets

THE GROUP

THOUSAND EUR	PAYMENTS IN ADVANCE AND THE UNCOMPLETED ACQUISITIONS	GOODWILL	DEVELOPMENT COSTS	INTANGIBLE RIGHTS	OTHER INTANGIBLE ASSETS	TOTAL
Acquisition cost 1 Jan 2016	0	37,431	2,618	8,442	846	49,337
Divestment of subsidiary	0	−3 207	−445	−32	0	−3,684
Acquisition of subsidiary	0	1,493	0	0	0	1,493
Additions	208	0	0	276	0	484
Acquisition cost 31 Dec 2016	**208**	**35,717**	**2,173**	**8,686**	**846**	**47,630**
Accumulated depreciation and impairment 1 Jan 2016	0	2,197	2,154	3,992	804	9,147
Depreciation	0	0	19	912	42	973
Accumulated depreciation 31 Dec 2016	**0**	**2,197**	**2,173**	**4,904**	**846**	**10,120**
Book value 1 Jan 2016	0	35,236	464	4,450	44	40,194
Book value 31 Dec 2016	208	33,520	0	3,782	0	37,510
Acquisition cost 1 Jan 2015	0	14,925	2,618	4,772	771	23,086
Acquisition of subsidiary	0	22,506	0	3,670	15	26,191
Additions	0	0	0	0	60	60
Hankintameno 31 Dec 2015	**0**	**37,431**	**2,618**	**8,442**	**846**	**49,337**
Accumulated depreciation and impairment 1 Jan 2015	0	2,197	1,926	3,354	650	8,127
Depreciation	0	0	228	638	154	1,020
Accumulated depreciation and impairment 31 Dec 2015	**0**	**2,197**	**2,154**	**3,992**	**804**	**9,147**
Book value 1 Jan 2015	0	12,730	692	1,418	121	14,961
Book value 31 Dec 2015	0	35,236	464	4,450	44	40,194

THE PARENT COMPANY

THOUSAND EUR	PAYMENTS IN ADVANCE AND THE UNCOMPLETED ACQUISITIONS	GOODWILL	DEVELOPMENT COSTS	INTANGIBLE RIGHTS	OTHER INTANGILE ASSETS	TOTAL
Acquistion cost 1 Jan 2016	0	3,774	2,037	12,117	401	18,329
Merger of subsidiary	0	7	0	26,129	0	26,136
Additions	208	0	0	276	0	484
Acquisition cost 31 Dec 2016	**208**	**3,781**	**2,037**	**38,522**	**401**	**44,949**
Accumulated deprecation and impairment 1 Jan 2016	0	2,357	2,038	3,534	358	8,287
Depreciation	0	8	0	561	43	612
Accumulated depreciation and impairment 31 Dec 2016	**0**	**2,365**	**2,038**	**4,095**	**401**	**8,899**
Book value 1 Jan 2016	0	1,416	0	8,583	42	10,041
Book value 31 Dec 2016	208	1,416	0	34,427	0	36,051
Acquisition cost 1 Jan 2015	0	4,751	2,618	14,360	392	22,121
Business transfer	0	−977	−581	−2,243	0	−3,801
Additions	0	0	0	0	9	9
Acquisition cost 31 Dec 2015	**0**	**3,774**	**2,037**	**12,117**	**401**	**18,329**
Accumulated depreciation and impairment 1 Jan 2015	0	2,357	1,926	3,447	335	8,095
Depreciation	0	0	112	57	23	192
Accumulated depreciation and impairment 31 Dec 2015	**0**	**2,357**	**2,038**	**3,534**	**358**	**8,287**
Book value 1 Jan 2015	0	2,394	692	10,888	57	14,031
Book value 31 Dec 2015	0	1,416	0	8,583	42	10,041

No development projects were operating during the review period (none in the reference year, either).

Impairment

The goodwill values related to business combinations are allocated to the cash-generating units which are based on the Group's budgeting and reporting structure and which are smallest independent entities with separate cash flows. The content of the cash-generating units is the same as the Company's segmentation.

The book value of the goodwill in the Group at 31 December 2016 was 33,520 thousand euros (35,232 thousand euros 31 Dec 2015). At 31 December 2016, the financial statements did not include intangible assets in process (none in the reference year, either).

Impairment tests have been carried out at the cash-generating unit level. The recoverable amount has been determined by means of the value in use. The determined anticipated cash flows are based on the operating result budget for 2017 and operating result forecasts for the subsequent four years.

For the part of the development of cash flows in the forecast period, the cash-generating units are expected to grow at the inflation rate of the estimated market growth.

The discount rate of 9.6% used in the calculations is the weighted average cost of capital after taxes (equals 12.0% before taxes).

Based on testing performed in 2016, no need was found for recognising impairment losses: a clear margin was left for each tested unit. No impairment losses were recognised in 2016.

	THE GROUP		THE PARENT COMPANY*	
THOUSAND EUR	**2016**	**2015**	**2016**	**2015**
Digital Solutions	22,733	0	22,506	0
Customer Solutions	10,787	0	9,521	0
Grocery and Special Retail, HoReCa	0	5,749	0	5,749
Wholesale, Logistics and Services	0	3,772	0	3,772
Enterprise Asset & Service Business Management	0	3,205	0	0
Descom	0	22,506	0	0
Total	33,520	**35,232**	32,027	**9,521**

*The losses from mergers are included in the Parent Company

Sensitivity analysis

Based on the sensitivity analyses performed, it can be stated that a change in the operating profit is the most critical factor in testing the goodwill values of the units. A summary of unit-specific sensitivities is below:

- Digital Solutions Unit, there will be need for write-downs, if the operating profit decreases by 3.5 percentage units or the discount rate increases by 3.5 percentage units.
- Customer Solutions Unit, there will be need for write-downs, if the operating profit decreases by 2.7 percentage units or the discount rate increases by 7.4 percentage units.

There are no significant differences in the Group and the Parent Company in the impair¬ment testing and sensitivity analysis results.

15 Available for sale financial assets

	THE GROUP			THE PARENT COMPANY		
THOUSAD EUR	2016	CHANGE	2015	2016	CHANGE	2015
Beginning of financial period	562	−425	987	528	−49	577
End of financial period	**562**	**−425**	**987**	**528**	**−49**	**577**

The item includes unquoted shares that have been measured at acquisition value, as their fair value cannot be determined in a reliable manner.

16 Deferred tax assets and liabilities

Changes in deferred taxes:

THE GROUP THOUSAND EUR	31 DEC 2014	RECOGNIZED IN THE INCOME STATEMENT	ACQUIRED COMPANIES	31 DEC 2015	RECOGNIZED IN THE INCOME STATEMENT	ACQUIRED/ DIVESTED COMPANIES	31 DEC 2016
Deferred tax assets							
Provisions	126	39	181	345	−165	14	194
Postponed depreciations	39	7	0	46	9	9	64
Other items	24	−10	0	14	−14	0	0
Total	**189**	**36**	**181**	**405**	**−170**	**23**	**258**
Deferred tax liabilities							
Tax-deductible goodwill	421	0	0	421	0	−195	226
Allocated intangible liabilities	280	−128	704	857	−160	−1	696
Other items	0	123	24	147	2	8	157
Total	**701**	**−5**	**728**	**1,425**	**−158**	**−188**	**1,079**

THE PARENT COMPANY THOUSAND EUR	31 DEC 2014	RECOGNIZED IN THE INCOME STATEMENT	BUSINESS TRANSFER	31 DEC 2015	RECOGNIZED IN THE INCOME STATEMENT	INTERNAL ARRANGEMENTS OF BUSINESS OPERATIONS	31 DEC 2016
Deferrable tax assets							
Provisions	150	-20	0	130	-126	150	154
Postponed depreciations	39	6	0	45	-5	24	64
Total	**189**	**-14**	**0**	**175**	**-131**	**174**	**218**
Deferred tax liabilities							
Tax-deductible goodwill	421	0	-196	225	0	0	225
Allocated intangible liabilities	0	0	0	0	-88	660	573
Other items	0	123	0	123	-13	0	110
Total	**421**	**123**	**-196**	**348**	**-101**	**660**	**907**

Deferred taxes are recognised in full.

17 Inventories

	THE GROUP		THE PARENT COMPANY	
THOUSAND EUR	**2016**	**2015**	**2016**	**2015**
Finished products	55	23	31	23
Total	**55**	**23**	**31**	**23**

18 Trade and other receivables

	THE GROUP		THE PARENT COMPANY	
THOUSAND EUR	**2016**	**2015**	**2016**	**2015**
Loans and other receivables				
Trade receivables	8,981	16,179	7,466	4,060
Receivables from clients concerning long-term acquisitions	428	122	428	122
Prepayment and accrued income	2,824	2,079	2,717	1,969
Internal receivables	0	0	408	17,869
Other receivables	53	17	22	17
Total	**12,286**	**18,397**	**11,041**	**24,037**

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 aging of accounts receivable and items recorded as impairment losses:

THE GROUP THOUSAND EUR	2016	IMPAIRMENT LOSSES	NET 2016	2015	IMPAIRMENT LOSSES	NET 2015
Not due	6,293	-	6,293	12,895	−70	12,825
Due	2,861	−172	2,689	3,373	−19	3,354
Under 30 days	1,879	-	1,879	2,426	-	2,426
31–60 days	624		624	460	-	460
61–90 days	55	-	55	256	-	256
Over 90 days	303	−172	131	231	−19	212
Total	**9,154**	**−172**	**8,981**	**16,268**	**−89**	**16,179**

THE PARENT COMPANY THOUSAND EUR	2016	IMPAIRMENT LOSSES	NET 2016	2015	IMPAIRMENT LOSSES	NET 2015
Not due	5,681	-	5,681	3,599	−70	3,529
Due	1 911	−126	1 785	550	−19	531
Under 30 days	1,407	-	1,407	458	-	458
31–60 days	146	-	146	4	-	4
61–90 days	55	-	55	43	-	43
Over 90 days	303	−126	177	46	−19	27
Total	**7,592**	**−126**	**7,466**	**4,149**	**−89**	**4,060**

All current receivables are denomi¬nated in euros. There are no significant concentrations of risk related to receivables. The balance sheet values correspond to the maximum amount of credit risk. Because the receivables are current their fair value is equivalent to carrying value.

19 Cash and cash equivalents

	THE GROUP		THE PARENT COMPANY	
THOUSAND EUR	2016	2015	2016	2015
Cash and bank accounts	8,477	2,619	7,707	370
Total	**8,477**	**2,619**	**7,707**	**370**

Year 2016
CEO's Review
Operating environment
Business development
Why invest in Solteq?
Business segments
Digital Solutions
Customer Solutions
Personnel
Responsibility
Financial Statement
Corporate Governance
Investor information

20 Notes to equity

Below is the reconciliation of the number of shares:

THOUSAND EUR	NUMBER OF SHARES (1 000)	SHARE CAPITAL	DIRECTED SHARE ISSUE	RESERVE FOR OWN SHARES	SHARE PREMIUM RESERVE	HEDGING RESERVE	DISTRIBUTABLE EQUITY RESERVE	TOTAL
1 Jan 2015	14,998	1,009	0	1,069	75	−23	6,392	6,384
Acquiring the own shares	0	0		−40	0	0		−40
Valuation of hedging instruments	0	0		0	0	23		23
Directed share issue	2,800	0		0	0	0	4,242	7,042
The fees for the board members in the form of own shares	0	0		0	0	0	127	127
Management incentives	0	0		0	0	0	−312	−312
31 Dec 2015	**17,798**	**1,009**	**0**	**−1,109**	**75**	**0**	**10,449**	**10,424**
Directed share issue to personnel, 31 Dec 2016	0	0	164	0	0	0	0	164
31 Dec 2016	**17,798**	**1,009**	**164**	**−1,109**	**75**	**0**	**10,449**	**10,588**

The maximum number of shares is 28,539,504 (28,539,504 in 2015). 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 2015).

On the balance sheet date a share issue directed to personnel was ongoing as published on 5 December 2016. The continued subscription period of the share issue ended on 30 December 2016. The shares subscribed and paid in the share issue are presented in the share issue account in the financial statement. Also the costs related to the issue are booked to that account. The Board of Directors of Solteq Plc accepted the subscription of 205,576 new shares. The new shares are expected to be entered into the Trade Register and applied for public trading in February 2017. The number of the company's shares will increase to 18,003,635 shares. The new shares represent 1.14 percentage of the shares and votes in the Company and the payments of subscriptions will be fully credited to the reserve for the company's invested unrestricted equity.

On the balance sheet date directed share issues related to the acquisitions of Aponsa Ab and Pardco Group were ongoing. The total number of shares to be offered for subscription in the share issue is 461,348 shares. According to the terms and conditions of the directed share issues the subscription prices are fully credited to the reserve fot the company's invested unrestricted equity. The number of company's shares does not increase because the shares offered in the share issue are the Company's own shares. The directed share issues and the related transfers of the shares from The Company to the subscribers is expected to take place in February 2017.

The reserves included in equity are as follows:

Hedging reserve

The hedging reserve comprises the effective portion of the possible 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. At the end of the financial year Solteq Plc had 825,881 own shares in its possession (2015: 825.881 shares). The amount of acquired shares corresponded to 4.6 percent of the shares and votes at the end of the financial year. The equivalent value of acquired shares was 46,828 euros.

Dividends

After the balance sheet date the Board proposes to the Annual General Meeting that a dividend of EUR 0.05 per share will be paid for each share.

21 Share-based payments

General information on the share-based incentive arrangements

The Group has share and option based incentive arrangements directed to the Group's key personnel.

Based on the decision of the Board of Directors, Solteq Plc adopted a new share option scheme and a share-based incentive scheme directed to the key personnel in the financial year 2016. The aim of both the schemes is to encourage the key personnel to undertake a long-term commitment to increasing the shareholder value and to commit the key personnel to the employer.

The CEO and the CFO have committed to a reward structure in which a significant share of their total earnings for the financial years 2016-2018 is paid either in company shares or share options. As the reward structure does not include annual bonuses tied to short-term targets, the total earnings of the key personnel are closely tied to the development of the shareholder value during the three-year period.

Option-based incentive scheme 2016

Based on the authorization granted by the Annual General meeting 16 March 2016 the Board of Directors made a decision on a new option-based incentive scheme. The maximum total number of stock options issued will be 1,000,000, and the arrangement entitles the holders to subscribe for a maximum of 1,000,000 of new shares of the Company or existing shares held by the Company. The stock options are divided into three series: 333,000 under stock option 2016A, 333,000 under stock option 2016B, and 334,000 under stock option 2016C.

The subscription period for shares under stock option 2016A will be 1 January 2017–31 December 2019, under stock option 2016B 1 January 2018–31 December 2019, and under stock option 2016C 1 January 2019–31 December 2019. The share subscription price will be 3.00 euro. If the company distributes dividends or equity, the subscription price of the shares subscribed for through the exercise of stock options will be reduced by the amount of the dividends or equity to be distributed.

Share-based incentive scheme 2016

The Company's Board of Directors has also decided on a share-based incentive scheme in which the earning periods will fall on the calendar years 2016–2018. Each key person in the scheme will be entitled to an incentive corresponding to the total value of a maximum of 70,000 shares (including the share to be paid in cash), which means that the total scope of the scheme will correspond to the total value of a maximum of 210,000 shares of the Company. The incentive will be paid as a combination of shares and cash, half each. The incentive to be paid in cash will mainly be used to cover the taxes and other tax-like charges payable for the incentive. The shares may be either new shares or existing shares held by the Company.

The Company's Board of Directors has decided at the commencement of the scheme that the CEO and the CFO will be included in the scheme. The Board of Directors may decide later on the acceptance of new key persons to the scheme. The share-based incentive will be paid by the end of March following the end each calendar year. If a key person's employment relationship terminates before the payment date, no incentive will be paid. The shares received as rewards may not be transferred to third parties during the restriction period which will begin when the shares are transferred to the recipient and which will end on 1 April 2019 for all shares.

The annual performance bonus scheme of the Management

The Group's Management Team (and Extended Management Team), except the CEO and CFO had an annual performance bonus scheme in 2016. The bonuses would have been paid in a combination of shares and cash. By the decision of the Board of Directors, the bonuses may have been paid entirely in cash or in treasury shares held by the company or in new shares to be issued instead of cash. The vesting conditions of the performance bonus arrangements wew tied to certain financial figures (mainly operating profit) of the Group, and the amount of the bonus was restricted in proportion to the bonus receiver's total annual salary. Another vesting condition was employment condition, i.e. the employment relationship must have been valid until the date on which the bonus is paid.

The terms of the incentive bonus scheme were not met in the financial year 2016 and no bonuses were paid based on the bonus scheme. The Board of Directors make a decision on the possible bonus scheme for each year.

Directed share issue to personnel 2016

Based on the authorisation of the Annual General Meeting of 16 March 2016, Solteq Plc's Board of Directors made a decision on 21 November 2016 and 5 December 2016 on a share issue in which, in deviation from the shareholders' pre-emptive subscription rights, a maximum of 500,000 new shares of the company in total were offered to the personnel for subscription. The subscription period started on 7 December 2016 and ended on 30 December 2016.The subscription prices of the shares were based on the volume-weighted average price of the company's share in the period 1 to 30 November 2016 and on two reductions of different sizes calculated from it. The subscriber will not have the right to sell or otherwise transfer or pledge the subscribed shares before 1 January 2018. As from their registration, the new shares have the same rights as the other shares of the company. The subscription price is recognised in the company's reserve for invested unrestricted equity. Owing to the terms and time of the directed issue to personnel, no expense arising from share-based payments was recognised for the financial year 2016. Expense arising from share-based payment transactions will be allocated to the financial year 2017.

Main terms and conditions of the share-based incentive arrangements

Option-based incentive scheme 2016*

ARRANGEMENT	2016 A	2016 B	2016 C
Granting date			15 Jul 2016
Vesting period	2016	2016–2017	2016–2018
Vesting condition			Employment condition
Number of options	333,000	333,000	334,000
Subscription price (EUR)			3.00
Price at the granting date			1.80
To be exercised			In shares

Share-based incentive scheme 2016

Granting date	15 July 2016
Vesting period	2016–2018
Vesting condition	Employment condition
Number of shares	210,000
To be exercised	In shares and cash
Price at the granting date	1.80
Value at the granting date	378,000

***Main assumptions used in the Black-Scholes option pricing model**

Granting date	15 Jul 2016
Volatility, %	39%
Contractual life (years)	3.6
Price at the granting date	1.80
Value of the option	0.2071
Number of options	1,000,000
Value, total	207,100

Changes in the number of outstanding options

	2016	2015
At the beginning of the period	0	0
Granted during the period	750,000	0
Forfeited	0	0
Exercised	0	0
Expired	0	0
At the end of the period	750,000	**0**
Exercisable	0	**0**

The subscription price of the options is presented further above.

Amounts of share-based expenses included in employee benefits.

THOUSAND EUR	2016	2015
To be settled in shares	186	0
To be settled in cash	60	0
Total	**246**	**0**

The share-based arrangements settled in cash are recognised as liability in the vesting period.
At the closing date, the amount recognised as liability in 2016 was 60 thousand euro (2015 closing date, 0 thousand euro).

22 Provisions

THE GROUP

THOUSAND EUR	WARRANTY PROVISIONS	OTHER PROVISIONS	TOTAL
31 Dec 2015	**655**	**477**	**1,133**
Additional provisions	346	543	889
Deducted provisions	509	743	1,252
31 Dec 2016	492	277	770

THE PARENT COMPANY

THOUSAND EUR	WARRANTY PROVISIONS	OTHER PROVISIONS	TOTAL
31 Dec 2015	**292**	**237**	**529**
Additional provisions	346	543	889
Deducted provisions	105	543	648
31 Dec 2016	533	237	770

Warranty provisions

Warranty provision is recorded for long term projects based on anticipated warranty work. During the financial period, a provision was made for anticipated warranty-based work in each project. The general warranty period is 6–12 months. The warranty provisions are based on the historical information on the amount of warranty obligations. The warranty provisions are expected to be used during the next financial period.

Other provisions

Other provisions are connected with long-term projects in which the total expenses of completing the project are expected to exceed the total income from the project.

23 Financial liabilities

THE GROUP

THOUSAND EUR	2016 BOOK VALUE	2016 FAIR VALUE	2015 BOOK VALUE	2015 FAIR VALUE
Financial liabilities at amortized cost				
Non-current	44	44	0	0
Loans from financial institutions	24,235	24,235	26,670	26,670
Bond	1,232	1,232	715	715
Financial lease obligations	25,511	25,511	**27,385**	**27,385**
Current	140	140	723	723
Loans from financial institutions	101	101	302	302
Financial lease obligations	241	241	**1,025**	**1,025**

THE PARENT COMPANY

THOUSAND EUR	2016 BOOK VALUE	2016 FAIR VALUE	2015 BOOK VALUE	2015 FAIR VALUE
Financial liabilities at amortized cost				
Non-current	0	0	0	0
Loans from financial institutions	24,235	24,235	26,670	26,670
Bond	1,232	1,232	675	675
Financial lease obligations	25,467	25,467	**27,345**	**27,345**
Current	0	0	190	190
Loans from financial institutions	101	101	281	281
Financial lease obligations	101	101	**471**	**471**

As interests are tied to short-term reference rates, the fair value of the financial liabilities is mainly the same as the book value. In 2016, Solteq repurchased and cancelled a share of 2,5 million euros of the 27 million euros bond.

The impact of the interest rate swap has been recognized as added financial liabilities. The interest rate swap has been closed during 2015. Financial liabilities, including finance lease liabilities and the interest rate swap are categorised at fair value level 2.

Due dates of financial liabilities:

THE GROUP

2016 THOUSAND EUR	2017	2018	2019	2020–2022
Loans from financial institutions	140	12	12	20
Bond	0	0	0	24,235
Financial lease obligations	101	458	380	394
Long-term debt total	**241**	**470**	**392**	**24,649**

THE GROUP

2015 THOUSAND EUR	2016	2017	2018	2019–2021
Loans from financial institutions	723	0	0	0
Bond	0	0	0	26,670
Financial lease obligations	302	420	210	86
Long-term debt total	**1,025**	**420**	**210**	**26,756**

THE PARENT COMPANY

2016 THOUSAND EUR	2017	2018	2019	2020–2022
Loans from financial institutions	0	0	0	0
Bond	0	0	0	24,235
Financial lease obligations	101	458	380	394
Long-term debt total	**101**	**458**	**380**	**24,629**

THE PARENT COMPANY

2015 THOUSAND EUR	2016	2017	2018	2019–2021
Loans from financial institutions	190	0	0	0
Bond	0	0	0	26,670
Financial lease obligations	281	401	200	74
Long-term debt total	471	401	200	26,744

The credit limit of the account with overdraft facility has been presented annually as an item that matures in the following year. In 2016, the average interest rate of the loans was 6.0 percent (5.7 percent in 2015). All financial liabilities are denominated in euros.

Due dates for financial lease obligations:

	THE GROUP		THE PARENT COMPANY	
THOUSAND EUR	**2016**	**2015**	**2016**	**2015**
Financial lease obligations present value of future minimun lease payments				
Within 12 months	101	301	101	281
Between 1 and 5 years	1,232	716	1,232	675
	1,333	**1,017**	**1,333**	**956**
Finance lease obligations total amount of minimum lease				
Within 12 months	210	331	210	310
Between 1 and 5 years	1,351	740	1,351	699
	1,561	**1,071**	**1,561**	**1,009**
Future financing expenses	−228	−54	−228	−53
Total financial lease obligations	**1,333**	**1,017**	**1,333**	**956**

24 Trade and other receivables

	THE GROUP		THE PARENT COMPANY	
THOUSAND EUR	**2016**	**2015**	**2016**	**2015**
Financial liabilities at amortized costlat				
Curret				
Trade payable	3,038	6,004	2,784	955
Advances received from customers, long-term projects	501	1,039	501	902
Accruals and deferred income	6,843	8,000	6,178	4,695
Other liabilities	3,194	3,239	2,798	1,141
Internal liabilities	0	0	89	387
Total	**13,576**	**18,282**	**12,350**	**8,080**

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. Withheld taxes for paid wages and salaries, social security payments and other social security related items to be accounted for in connection with tax withholding, as well as VAT liability are disclosed in other payables.

25 Financial risk management and capital management

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

Credit risk

The Company's operating style defines the customers' and investment transactions' credit-worthiness demands and investment principles. The Company does not have any significant credit risk concentrations in its receivables, because it has a wide customerbase 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 Company's credit risk's maximum amount is the carrying value of financial assets as at 31 December 2016.

Liquidity risk

The Company 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 fundthe 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 December 2016 totalled 2,000 thousand euros and in addition the company has an unused standby credit limit amounting to a total of 4,000 thousand euros.

Interest rate risk

The Company's income and operative cash flows are mainly free from market rate fluctuation effects. Company 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. With the current financial structure the company is not exposed to significant interest rate risk related to the market rate fluctuation, because only the credit limits used to control the liquidity risk are tied to market rates. The most of the company's interest-bearing liabilies consists of fixed-rate bond totalling to 24,500 thousand euros and lease agreements with fixed interest rates.

In the end of the reporting period the Company did not have open interest rate swaps or other instruments used to manage interest rate risks or other risks.

Currency rate risk

Because the most of the Company's cash flows are in euros, the Company is exposed only to low currency rate risk. The currency rate risks related to the business operations are mainly arising from the business practiced in Sweden and Poland (the part that is not in euros) and in small amounts from the Group's purchases. The most essential currencies are Swedish crown (SEK), Polish zloty (PLN) and the US Dollar (USD). Other currencies have only minor significance. The currency rate hedges were not used in the financial year 2016. The Group's financial liabilities do not include currency rate risk.

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.

The financial covenants concerning the company's bond (24,500 thousand euros 31 December 2016) and the account limits and liquidity limits (6,000 thousand euros 31 December 2016) are tied to the terms of the bond, which are monitored regularly.

The terms and conditions of the Bond contain financial and other covenants as well as the prerequisites for early maturity and repurchase. The financial covenants concerning the distribution of funds and incurring financial indebtedness other than permitted in the terms of the Bond (Incurrence Covenant) require that at any agreed review date, the Equity Ratio exceeds 27.5 per cent, the Interest Coverage Ratio (EBITDA / net interest cost) exceeds 3.00:1 and that the Group's Net Interest Bearing Debt to EBITDA ratio does not exceed 3.50:1.

In addition, the Bond Issue includes other covenants related to divestment of assets, negative pledge, changes in the nature of business, related party dealings, use of credit limits, listing of the Bond , and to preserving and maintaining intellectual property rights. In addition, it includes an obligation of early repayment associated with a change in the control of the Company as well as maturity conditions related to a merger, de-merger, discontinuation of business, failures to pay and insolvency. The terms of the bond are available as a whole at company's website. Equity ratio and net gearing-% are characteristic key figures for capital structure. Equity ratio in 2016 was 33.5% (24.4% in 2015). Net gearing percentage in 2016 was 85.0% (167.4% in 2015).

26 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 depreciation and asset write-downs and the items related to the business acquisition made during the financial period, 1,946 thousand euros in the Group and 1,553 thousand euros in the Parent company and the items related to the company arrangements during the financial year, −3,822 thousand euros in the Group and −4,593 thousand euros in the Parent Company.

27 Other lease agreements

Company as a lessee

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

	THE GROUP		THE PARENT COMPANY	
THOUSAND EUR	**2016**	**2015**	**2016**	**2015**
Within a year	2,213	1,663	2,111	787
One to five years	3,004	4,171	2,963	2,802
More than five years	75	620	75	620
Total	**5,292**	**6,454**	**5,149**	**4,209**

The Company 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 Vantaa, Helsinki, Tampere and Jyväskylä has been presented for the set lease period.

The income statement for 2016 includes lease expenses based on other lease agreement 1,990 thousand euros (1,330 thousand euros in 2015).

28 Contingent liabilities and collateral

	THE GROUP		THE PARENT COMPANY	
THOUSAND EUR	**2016**	**2015**	**2016**	**2015**
Collateral given on our own behalf				
Business mortages	10,000	10,000	10,000	10,000
Total	**10,000**	**10,000**	**10,000**	**10,000**

Until the issuance of the bond the business mortgages as well as the pledged shares are given as collateral by the parent company for credit limits and long-term loans. After the issuance of the bond the business mortgages are given as collateral by the parent company for financing working capital and credit limits.

29 Related party transactions

Group's related parties consist of the parent company and its subsidiaries. The related parties also include the key persons, i.e. members of the Board of Directors and Executive Team, including the CEO and his family members.

Group's parent and subsidiary relations 31.12.2016 are as follows:

COMPANY	DOMICILE	SHARE OF OWNERSHIP (%)	SHARE OF VOTES (%)
Solteq Oyj			
Aponsa AB	Sweden	100	100
Aponsa Business Consilting AB	Sweden	100	100
Sia Aponsa	Latvia	100	100
Descomdigree AB	Sweden	100	100
Solteq Denmark Aps	Denmark	100	100
Pardco Group Oy	Finland	100	100
Solorus Holding Oy	Finland	100	100
Solteq Finance Oy	Finland	100	100
Solteq Poland Sp. z.o.o.	Poland	100	100
Qetlos Oy	Finland	100	100

The option scheme and the share-based incentive scheme for the key persons of the Company

On July 15 2016 Solteq Plc announced that the Board of Directors of Solteq Plc decided to adopt a new stock option scheme and a share-based incentive scheme according to the authorization granted by the Annual General Meeting on 16 March 2016. In accordance with the option scheme of 15 July 2016, the CEO and the CFO of the Company have subscribed 750,000 option rights in total. The maximum total number of of stock options issued will be 1,000,000. The share subscription price is 3.00 euros per share.

Solteq Management Oy and Solteq Management Team Oy

In spring 2011 and summer 2012, the Management Team members of Solteq Plc. acquired a total of 750,000 treasury shares of the Company for indirect ownership. The purchases were financed partly through capital investments by the Executive Team members and partly through an interest-bearing loan granted by Solteq. It was agreed that the ownership and incentive scheme would be valid until the publication of the 2014 Financial Statements and dissolved in a manner to be agreed on later.

Solteq Plc's Board of Directors has decided to dissolve the ownership and incentive scheme by purchasing the capital stocks of the Management Team's holding companies Solteq Management Oy and Solteq Management Team Oy from their shareholders at fair value.

Solteq Management Oy and Solteq Management Team Oy, totally owned subsidiaries of Solteq Plc, were merged to the parent company on 31 December 2015.

The following related party transactions took place:

	THE GROUP		THE PARENT COMPANY	
THOUSAND EUR	**2016**	**2015**	**2016**	**2015**
Sales to group company	0	70	0	0
Renting expenses	0	80	0	69
Outsourcing expenses	0	3	0	0
Purchasing the capital stocks of the Management companies	0	383	0	383
Total	**0**	**536**	**0**	**452**

Transactions with the insiders have been done at market price and are part of the company's normal software service business. At the closure of accounts, there are no significant receivables from or payables to related parties.

Management employee benefits

	THE GROUP		THE PARENT COMPANY	
THOUSAND EUR	**2016**	**2015**	**2016**	**2015**
Salaries and other short-term employment benefits	884	2,115	884	1,979
	884	**2,115**	**884**	**1,979**

The compensations of managing director, board of directors and management group are included in the management employee benefits.

Wages and salaries of the members of the board and the CEO

	THE GROUP		THE PARENT COMPANY	
THOUSAND EUR	**2016**	**2015**	**2016**	**2015**
CEO Repe Harmanen	239	390	239	390
Board members from 19 Oct 2015				
Uotila Mika, Chairman of the board	17	8	17	8
Aktan Aarne	16	8	16	8
Grannenfelt Eeva	17	8	17	8
Harra-Vauhkonen Kirsi	17	8	17	8
Pietilä Markku	16	8	16	8
Väätäinen Olli	17	8	17	8
Board members until 19 Oct 2015				
Saadetdin Ali U. Chairman f the board	0	81	0	81
Aalto Seppo	0	52	0	52
Pietilä Markku	0	50	0	50
Roininen Matti	0	49	0	49
Sara-aho Sirpa	0	49	0	49
Sonninen Jukka	0	51	0	51
Välimäki Olli	0	50	0	50

The CEO's accrual-based pension costs amount to 51 thousand euros. The CEO's pension plan complies with the employment pension legislation. The Managing Director's notice period is three months. If terminated, nine months salaries are to be paid as termination compensation.

The members of the Board and the CEO owned 15,000 shares at the end of 2016 (2015, 15 thousand shares). The previous Board of directors that finished their term of office on 9 March 2015 received a fee in the form of company's own shares totalling to 35,000 shares (5,000 shares/Board member) according to the decisions made by the Annual General Meeting on 17 March 2014. In addition they received a fee in the form of company's own shares totalling to 35,000 shares (5,000 shares/Board member) according to the decisions made by the Annual General Meeting on 16 March 2015.

30 Events after the balance sheet date

After the Balance sheet date, on January 26 2017 Solteq Plc announced that the Board of Directors accepted subscriptions of 205.576 new shares in share issue directed to the personnel. The new shares are expected to be entered into the Trade Register and applied for public trading in February 2017.

31 Five year figures

Key figures outlining the groups financial development (MILLION EUR)	2016	2015	2014	2013	2012
	FINANCIAL PERIOD 1 JAN–31 DEC				
Revenue	63.1	54.2	40.9	38.1	39.0
Increase in revenue	16.3%	32.5%	7.4%	−2.3%	43.7%
Operating profit/-loss	6.4	1.3	2.5	2.1	2.7
% of revenue	10.2%	2.4%	6.1%	5.6%	7.0%
Profit/loss before taxes	4.7	0.3	2.3	1.9	2.4
% of revenue	7.5%	0.6%	5.7%	5.1%	6.2%
Return on equity, %	25.8%	0.8%	16.8%	15.5%	21.2%
Return on investment, %	14.6%	4.5%	15.5%	13.2%	20.8%
Equity ratio, %	33.5%	24.4%	48.0%	43.5%	37.2%
Net investments in non-current assets	−0.2	23.3	1.0	1.0	7.4
% of revenue	0.3%	42.9%	2.3%	2.5%	19.1%
Research and development costs	0.8	0.9	1.1	0.9	1.1
% of revenue	1.3%	1.7%	2.7%	2.4%	2.8%
Net Gearing	85.0%	167.4%	16.3%	29.4%	51.5%
Average number of employees over the financial period	454	391	281	287	270

Group's key figures per share	2016	2015	2014	2013	2012
	FINANCIAL PERIOD 1 JAN–31 DEC				
Earnings per share, EUR	0.26	0.01	0.13	0.11	0.12
Equity attributable to the equity holders of the parent, EIR	1.2	0.91	0.79	0.72	0.67
Dividends per share, EUR*	0.05*	0.00	0.03	0.06	0.06
Dividend from result, %	19.2%*	0.00	23.7%	55.4%	49.7%
Effective dividend yield, %	3.1%*	0.00	2.3%	4.1%	5.0%
Price/earnings (P/E)	6.2	178.0	10.2	13.3	10.0
Highest share price, EUR	1.96	1.97	1.59	1.77	1.39
Lowest share price, EUR	1.50	1.32	1.33	1.20	0.99
Average share price, EUR	1.70	1.71	1.45	1.49	1.16
Market value of the shares, 1,000 EUR	28,477	31,681	19,947	21,897	17,998
Shares trade volume, 1,000 pcs	1,717	5,023	795	929	1,885
Shares trade volume, %	9.7%	29.7%	5.3%	6.2%	13.7%
Weighted average of the share issue corrected number of shares during the financial period, 1,000 pcs	17,639	15,719	14,933	14,972	13,756
Number of shares corrected by share issue at the end of the financial period, 1,000 pcs	17,639	16,937	14,882	14,974	14,960

* After the balance sheet date the Board proposes to the Annual General Meeting that a dividend of EUR 0.05 per share will be paid for each share.

When calculating the number of shares, the number of own shares retained by the company has been deducted from the number of shares, except the own shares related to the ongoing directed share issues as presented in the financial statements.

Calculation of financial ratios

Return on equity (ROE) %:	net result / equity (average)	x 100
Return on investment %:	result after the financial items + financial expenses / total assets – interest-free liabilities (average)	x 100
Equity ratio:	equity / total assets – advances received	x 100
Net gearing:	interest bearing liabilities – cash, bank and securities / equity	x 100
Diluted earnings per share:	net result –/+ ownership share of the non-controlling interest / average number of shares added with number of shares at the end of the period	
Earnings per share:	net result –/+ ownership share of the non-controlling interest / average number of shares	
Equity per share:	equity / number of shares	
Dividend per share:	dividend for the period / number of shares at the time of payment	
Dividend from result %:	dividend per share / earnings per share	x100
Effective dividend yield:	dividend per share / share price at the year-end	x100
Price/earnings:	share price at the year-end / earnings per share	
The market value of company's shares	the number of shares at the year-end x share price at the year-end	
Sales margin:	Revenue – Materials and services	

32 Distribution of ownership and shareholder information

Distribution of ownership by sector on 31 dec 2016

	NUMBER OF OWNERS	NUMBER OF SHARE AND VOTES %	PCS
Companies	68	45.1	8,019,980
Financier and insurance institutions	8	2.5	442,002
Public organisations	2	18.2	3,245,597
Households	1,898	34.0	6,050,038
Not for profit organisations	2	0.0	231
Outside Finland	6	0.2	40,211
Total	**1 ,984**	**100.0**	**17,798,059**
of which nominee registered	5	1.0	169,847

Distribution of ownership by size on 31 dec 2016

NUMBER OF SHARES	NUMBER OF OWNERS	NUMBER OF SHARE AND VOTES %	PCS
1–100	402	0.2	27,307
101–1,000	1,095	2.9	514,267
1,001–10,000	403	7.0	1,251,789
10,001–100,000	70	11.6	2,056,744
100,001–1,000,000	9	16.3	2,899,321
1,000,000–	5	62.0	11,048,631
Total	**1,984**	**100.0**	**17,798,059**
of which nominee registered	5	1.0	169,847

MAJOR SHAREHOLDERS 31 DEC 2016

	NUMBER OF SHARES AND VOTES PCS	%
1. Sentica Buyout III Ky	4,621,244	26.0
2. Keskinäinen Työeläkevakuutusyhtiö Elo	2,000,000	11.2
3. Profiz Business Solution Oyj	1,781,790	10.0
4. Saadetdin Ali	1,400,000	7.9
5. Keskinäinen Työeläkevakuutusyhtiö Varma	1,245,597	7.0
6. Solteq Oyj	825,881	4.6
7. Aalto Seppo	671,882	3.8
8. Roininen Matti	420,000	2.4
9. Lamy Oy	225,000	1.3
10. Sentica Buyout III Co-Investment	180,049	1.0
10 largest Total	13,371,443	75.1
Nominee registered total	169,847	1.0
Others	4,256,769	23.9
Total	**17,798,059**	**100.0**

Proposal for distribution of profits and signatures

The distributable equity of the parent company Solteq Plc as at 31 Dec 2016 is:

Distributable equity reserve	10,448,800.01 EUR
Result for previous financial periods	2,561,611.51 EUR
Result for the financial year	5,416,583.14 EUR
Total	18,426,994.66 EUR

Of this amount 18,426,994.66 euros are distributable funds.

The Board proposes that a dividend of EUR 0.05 per share will be paid for each share.

No essential changes have taken place in the company's financial situation after the end of the financial period.

Signatures of financial statements and the report of the board of directors

Vantaa 16 February 2017

Mika Uotila
Chairman of the Board

Aarne Aktan
Board Member

Eeva Grannenfelt
Board Member

Kirsi Harra-Vauhkonen
Board Member

Markku Pietilä
Board Member

Olli Väätäinen
Board Member

Repe Harmanen
CEO

The auditor's note

Our auditors' report has been issued today.
Tampere 16 February 2017

KPMG Oy Ab

Lotta Nurminen
Authorised Public Accountant

Auditor's Report

To the Annual General Meeting of Solteq Plc

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Solteq Plc (business identity code 0490484-0) for the year ended 31 December 2016. The financial statements comprise the consolidated and parent company's balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

THE KEY AUDIT MATTER

HOW THE MATTER WAS ADDRESSED IN THE AUDIT

Goodwill impairment assessment (Refer to Accounting policies and note 14)

- In recent years the Group has expanded its activities through acquisition of companies. As a result, the consolidated balance sheet includes a significant amount of goodwill.
- Goodwill is not amortized but is tested at least annually for impairment. Determining the cash flow forecasts underlying the impairment tests requires the Directors make judgments over certain key inputs, for example revenue growth rate, discount rate, long-term growth rate and inflation rates.
- Due to the high level of judgement related to the forecasts used, and the significant carrying amounts involved, impairment of goodwill is considered a key audit matter.

- Our audit procedures included, among others, assessing key inputs in the calculations such as revenue growth, profitability and discount rate, by reference to the Board approved budgets, data external to the Group and our own views. We assessed the historical accuracy of forecasts prepared by management by comparing actual results for the year with the original forecasts.
- We involved KPMG valuation specialists that assessed the technical accuracy of the calculations and compared the assumptions used to market and industry information.
- Furthermore, we considered the appropriateness of the Group's disclosures in respect of goodwill and impairment testing.

Revenue recognition (Refer to Accounting policies and note 3)

- The Group's revenue consists of sale of services, licenses and hardware as well as long-term projects.
- The most significant risks relate to long-term projects accounted for using the percentage-of-completion method, which involve judgment on the following matters, among others:
- otal project costs
- Stage of completion of a project
- Total project revenue
- Possible loss-making projects
- Different views on these judgmental items may lead to different revenue recognition outcome.
- Preparation of revenue recognition entries for long-term projects includes manual phases, which causes a risk of human error.

- Our audit procedures included considering the Group's revenue recognition policies and assessing them against IFRS standards.
- We identified and assessed internal controls over revenue recognition and tested their operating effectiveness. In addition, we performed tests of detail and analytical audit procedures in order to assess the accuracy of revenue recognition and recording sales in the correct accounting period.
- Regarding long-term projects, we discussed the categorization applied and related revenue recognition principles with management. In addition, we assessed and tested controls over revenue recognition of long-term projects, including, among others, updating of project forecasts, regular project reviews performed by management as well as project provision practices. Regarding the percentage-of-completion accounting at year-end, we assessed the determination of the stage of completion as well as compared the actual and forecasted information used in the calculations to the supporting documentation.
- Furthermore, we considered the appropriateness of the financial statements disclosures in respect of revenue recognition principles and revenue.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises information included in the report of the Board of Directors and in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the report of the Board of Directors, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Tampere 16 February 2017
KPMG Oy Ab

Lotta Nurminen
Authorised Public Accountant

Corporate Governance Statement

This Corporate Governance Statement has been composed in accordance with the Corporate Governance Code effective on balance sheet date and Chapter 7, Section 7 of the Finnish Securities Market Act.

General principles

Solteq Corporation is a public limited company registered in Finland and its head office is located in Vantaa. Solteq Group consisted of the parent company Solteq Plc and its four Finnish and six foreign subsidiaries.

Decision-making and governance at Solteq comply with the company's Articles of Association the Finnish Companies Act and other applicable legislation. In addition, the company complies with the Securities Market Assosiation's Corporate Governance Code as well as NASDAQ Helsinki Ltd' Guidelines for Insiders. The foreign subsidiaries comply with local legislations.

Tasks and responsibilities of bodies

The General Meeting of Shareholders, Board of Directors and CEO are in charge of the management of Solteq Group and their tasks are determined as specified by the Finnish Companies Act. The CEO is in charge of Grouplevel operative activity, assisted by the group's Executive Team.

General Meeting

The General Meeting is the highest decision-making body of the company. The Annual General Meeting is arranged once a year on the date determined by the Board of Directors within six months of the end of the financial period. Extraordinary General Meetings can be arranged during the year, if necessary. In accordance with the Articles of Association, the General Meeting is held in the company's registered office Vantaa. A Summons to a General Meeting of Shareholders and the matters to be discussed in the meeting are issued in a newspaper announcement placed in at least one Finnish-language national daily newspaper and published as a stock exchange release and on the company's web site.

The Annual General Meeting each year resolves the following matters:

- approval of the income statement and balance sheet
- measures occasioned by the profit or loss shown in the approved balance sheet
- discharging members of the Board of Directors and the CEO from liability
- number of Board members and their appointment
- election of the auditor
- remuneration of the Board of Directors and auditors
- other matters mentioned in the summons to the meeting

Board of directors

The Board of Directors of Solteq Corporation is responsible for the Company's management and the appropriate arrangement of its operations. The Board of Directors is responsible of duties that are specified in the Articles of Association and the Finnish Companies Act.

The main duty for the Board of Directors is to confirm company's strategy and budget, make decisions of financial agreements and make decisions of purchase and sale of significant assets. The Board of Directors follow company's financial development by monthly reports and other information that company's management provides to the Board.

The essential duties and responsibilities of the Board are defined primarily by the Articles of Association and the Finnish Companies Act. The Board annually ratifies a working order that specifies the meeting procedure of the Board of Directors and its tasks.

In accordance with the working order, the tasks of the Board of Directors are to:

- steer the operations of the Company in in a manner that brings maximum long-term added value to the assets invested in the Company, taking the various stakeholders groups into consideration,
- approve the incentive systems of the CEO and other management members,
- appoint and dismiss the CEO and decides on the terms of the CEO's service contract,
- confirm the strategy, business objectives and annual budget and supervises their implementation,

- approve significant financing agreements and the purchases and sales of significant asset items,
- review and approves interim reports and financial statements,
- review and approve the mergers, acquisitions and corporate restructuring arrangements whose total value exceeds 500,000 euro and exceptional balance sheet items of more than 100,000 euro that are not part of the Company's regular business operations,
- review all contracts, agreements and business transactions with the owners of the Company and the Executive Team, with their related parties, and with companies in which Solteq Plc holds a controlling interest,
- approve the Company's structural changes and confirm the organisation of the Company at the proposal of the CEO,
- appoint the directors who report to the CEO at the proposal of the CEO and decide on the remuneration principles of the Executive Team Members,
- regularly assesse its own operations and collaboration with the management, and
- deal with other matters that the Chairperson of the Board and the CEO have agreed to be dealt with by the Board of Directors or matters that are otherwise within the decision making power of the Board of Directors based on the Limited Liability Companies Act, other Acts, the Company's Articles of Association and other possible rules and regulations.

Special duties of the chairman of the Board of Directors:

- steers the work of the Board of Directors in a manner that ensures that the Board attends to its duties as efficiently and appropriately as possible,
- maintains regular contact with the CEO between Board meetings to monitor the operations of the Company,
- if necessary, maintains regular contacts with other Board Members between Board meetings,
- if necessary, maintains regular contacts with the owners of the Company and other stakeholder groups, and
- bears responsibility for the planning and assessment of the activities of the Board of Directors and the assessment of the CEO.

In accordance with the Articles of Association the Solteq Board of Directors has a minimum of five and a maximum of seven regular members. The Board members are elected by the Annual General Meeting for one term of office at a time. The term of office begins at the end of the General Meeting that elected the Board and expires at the end of the first Annual General Meeting of Shareholders following the election. The Articles of Association place no restrictions on the power of the General Meeting to elect members for the Board of Directors. The Board of Directors elects a Chair from its members and the Board of Directors is deemed to have a quorum present when half of its members are present. In addition to matters to be resolved, the Board of Directors is given real-time information on the operation, financial standing and risks of the group in the meeting. The Board of Directors convenes 12 to 14 times a year according to an agreed schedule, in addition to which the Board of Directors convenes when necessary. Minutes are kept for all meetings.

The annual General Meeting elected six (6) members to the Solteq Board of Directors: Mika Uotila (Chair), Aarne Aktan, Eeva Grannenfelt, Kirsi Harra-Vauhkonen, Markku Pietilä, and Olli Väätäinen.

The Board of Directors convened 17 times and participation percentage was 97%.

Audit Committee of the Board of Directors

The Audit Committee monitors the Group's profit performance, budget preparation principles, budgeting, financing situation and risk management. The Audit Committee has the following tasks:

- to monitor the Company's financial and financing situation,
- to monitor the process of the Company's financial statement reporting,
- to supervise the Company's financial reporting and merger and acquisition processes,
- to monitor the efficiency of the Company's internal control, possible internal auditing and risk management systems,
- to review the report of the Company on its governance system, including the description of the main features of the control and risk management systems related to the financial reporting process,
- to monitor the financial statements and statutory audits of the consolidated financial statements,
- to assess the independence of the statutory auditor or audit firm,
- to assess the audit firm's offering of auxiliary services, to prepare a proposal for decision concerning the election of an auditor,

- to maintain contact with the auditor and review the reports prepared by the auditor for the Audit Committee, and
- to assess the compliance with laws and statutory regulations.

The Audit Committee consists of three members. The Board of Directors elects the members and the chairperson of the Committee from among its members.

The members of the Committee shall have the qualifications required for performing the tasks of the Committee, and at least one member shall have expertise in accounting, bookkeeping or auditing. The Company's CEO and CFO present the matters to the Audit Committee. If necessary, the Audit Committee may use external experts and advisors.

The chairperson of the Audit Committee prepares the meeting agendas of the Committee and decides on their contents after discussing the matter with the management of the Company. The CFO or another person appointed by the Audit Committee acts as secretary of the Committee.

The minutes of the Committee meetings shall be made available to the Board of Directors. The chairperson of the Committee shall also report to the Board of Directors on essential observations.

Solteq Plc's Board of Directors has a Audit Committee and the members of the Committee are: Aarne Aktan, Markku Pietilä ja Mika Uotila. The Chairman of the Committee is Markku Pietilä. All members of the Audit Committee are independent of the Company and Aarne Aktan is independent of significant shareholders.

During the financial year 2016 the members of the Audit Committee were not paid a fee for their work in the Committee.

CEO

The Board of Directors appoints the CEO. The CEO is in charge of the management of the company's business operations and governance in accordance with the Articles of Association, the Finnish Companies Act and the instructions given by the Board. The CEO is assisted in the management of the group by the Executive Team. Repe Harmanen acted as the CEO of the company in 2016.

Executive team

The Executive Team assists the CEO in the operative management of the Company, prepares matters handled by the Board and the CEO as well as plans and monitors the operations of the business units. The Executive Team convenes regularly monthly. The CEO acts as a chairman of the Executive Team.

Members of the Management team that focuses on operative issues of Solteq Group were Repe Harmanen (CEO), Tiina Honkiniemi (Client Technologies-segment), Harri Ilvonen (Digital Customership-segment), Antti Kärkkäinen (CFO), Timo A Rantanen (Sales), Konsta Saarela (International accounts) and Riina Tervaoja (projects) from January 1, 2016 to November 14, 2016.

In addition to above mentioned the members of extended management team were Kirsi Jalasaho (VP, IR and Marketing), Mari Kuha (VP, HR and culture) and Juha Luomala (VP, Services Development) from January 1, 2016 to November 14, 2016. Extended management team focuses on developing the operations of Solteq Group with longer time perspective.

As a part of the implementation of the strategy Solteq adjusted its management structure and appointed the new management team from November 14, 2016. Members of the Management team were Repe Harmanen (CEO), Ilkka Brander (Client Technologies, from November 22, 2016), Harri Ilvonen (Digital Customership), Kai Hinno (Operations), Antti Kärkkäinen (CFO) and Timo A. Rantanen (Sales and customerships) from November 14 to December 31, 2016.

Internal audit

The Group does not have any separate organization for the internal audit. The financial department is responsible for the internal audit in practice and the implementation of internal audit is supervised by the Audit Committee appointed by the Board of Directors. The goal is to make sure that the whole group has similar administration and accountancy.

External audit

Solteq Corporation has one auditor and if the auditor is not a firm accredited by the Central Chamber of Commerce (Authorized Public Accountants), the company has additionally one deputy auditor. The auditors are elected until further notice. The primary function of audit is to verify that the Financial Statements give accurate and adequate information about Solteq Corporation's result and financial position for the financial period. In addition the Auditors report to the Audit Committee, and if needed, to the Board of Directors on the ongoing auditing of administration and operations. In 2016 Solteq's auditor was KPMG Oy Ab, Authorized Public Accountants, with Lotta Nurminen, APA as the auditor in charge.

Compensation

Management of compensation

The General Meeting decides on the remuneration paid to the Board of Directors and auditors.

The Board decides on the service terms and conditions of the CEO, specified in writing. The compensation principles of the top management are decided by the Board. The Board annually approves the possible personnel incentive schemes.

Board of Directors

The General Meeting decides on the remuneration paid to the Board of Directors and auditors. The Annual General Meeting resolved on 16 March 2016 to compensate the members of the Board with EUR 1,200 per month and EUR 500 per meeting.

According to share register maintained by Euroclear Finland Ltd, members of the Board held 15,000 shares of Solteq Corporation at December 31, 2016.

Chairman of the board

The salary of the Chairman of the Board Mika Uotila was 16,000.00 euros in 2016. The Chairman of Board is not included in the bonus program of the company.

According to share register maintained by Euroclear Finland Ltd, Chairman of the Board Mika Uotila does not hold shares of Solteq Corporation at 31 December 2016.

CEO

The Board decides on the service terms and conditions of the CEO, specified in writing.

Currently the CEO has:

- 3 months' period of notice and salary for the period of notice should the Company give notice, in addition to which he is entitled to severance pay equivalent of 9 months' fixed salary.

The CEO's and his substitute's remuneration consists of salary in money, fringe benefits and of share and option based incentive scheme. In the financial year 2016 the CEO's total salary including benefits, totalled 239,163.79 euros.

Executive team

The remunerations of the other members of the Executive team consist of salary in money, fringe benefits, a possible annual bonus based on performance and share-based incentive scheme. The compensation principles of the Executive Team members are decided by the Board.

Shares in executive team

On 15 July 2016 the Board of Directors of Solteq Plc decided to adopt a new stock option scheme and a share-based incentive scheme to tie to the key persons to work for development of the shareholder value and to commit key persons to the Company.

The maximum total number of stock options issued will be 1,000,000, and they entitle the holders to subscribe for a maximum of 1,000,000 of new shares of the Company or existing shares held by the Company. The stock options are divided into three series: 333,000 under stock option 2016A, 333,000 under stock option 2016B, and 334,000 under stock option 2016C. The subscription period for shares under stock option 2016A will be 1 January 2017–31 December 2019, under stock option 2016B 1 January 2018–31 December 2019, and under stock option 2016C 1 January 2019–31 December 2019. The share subscription price will be 3.00 euro. If the company distributes dividends or equity, the subscription price of the shares subscribed for through the exercise of stock options will be reduced by the amount of the dividends or equity to be distributed. The Board of Directors decided on the stock option scheme by virtue of authorisation granted by the Annual General Meeting on 16 March 2016. The terms and conditions of the stock options are appended to this Stock Exchange Release and also available on the Company's web pages.

The earnings periods of the share-based incentive scheme will fall on the calendar years 2016–2018. Each key person in the scheme will be entitled to an incentive corresponding to the total value of a maximum of 70,000 shares (including the share to be paid in cash), which means that the total scope of the scheme will correspond to the total value of a maximum of 210,000 shares of the Company. The incentive will be paid as a combination of shares and cash, half each. The incentive to be paid in cash will mainly be used to cover the taxes and other tax-like charges payable for the incentive. The shares may be either new shares or existing shares held by the Company

The Company's Board of Directors has decided at the commencement of the scheme that the CEO and the CFO will be included in the scheme. The Board of Directors may decide later on the acceptance of new key persons to the scheme. The share-based incentive will be paid by the end of March following the end each calendar year. If a key person's employment relationship terminates before the payment date, no incentive will be paid. The shares received as rewards may not be transferred to third parties during the restriction period which will begin when the shares are transferred to the recipient and which will end on 1 April 2019 for all shares. The Company has the right to terminate the restriction period before its due date.

According to the share register maintained by Euroclear Finland Ltd, CEO Repe Harmanen did not directly hold shares in Solteq Corporation on 31 December, 2016. Harmanen holds 150,000 units of each option series (2016A, 2016B and 2016C).

CFO and the substitute CEO Antti Kärkkäinen does not hold shares in Solteq Corporation on 31 December, 2016 and holds 100,000 units of each option series (2016A, 2016B and 2016C).

Other members of the Executive team hold 22,042 shares in Solteq Plc. They did not hold the options.

Internal control and risk management systems associated with financial reporting

The ultimate responsibility for accounting and financial administration lies with Solteq Corporation's Board of Directors. The Board is responsible for internal control, and the CEO is responsible for the practical arrangements and monitoring of the control system. The steering and monitoring of business operations is based on the reporting and business planning system covering the entire Group. The CEO and CFO give both Board and Executive Team meetings presentations of the Group's situation and development based on monthly reports.

Risk management system

The Group's risk management is guided by legal requirements, business requirements set by the owners of the company as well as the expectations of the other important stakeholders. The goal of risk management is to identify and acknowledge the risks involved in the company's operations as well as to make sure that the risks are appropriately managed when making business decisions. The company's risk management supports the attainment of strategic goals and ensures the continuity of business operations.

Solteq takes risks that are a natural part of its strategy and objectives. The company is not ready to take risks that might endanger the continuity of operations or that are uncontrollable or that can significantly harm the company's operations. Risks are divided into risks related to business operations, personnel, finance, legal and financial risks. In the process of risk management, the goal is to identify and evaluate the risks, after which a risk-specific plan is drawn up and concrete action is taken. Such actions may include, for example, avoiding the risk, diminishing the risk by different means or transferring the risk by insurance or agreements. When necessary the Board of Directors will be reported all material changes and new significant risks that are identified in the process of risk management.

In 2016 to the Board of Directors has been reported material risks concerning Company's financial result in the uncertain general financial situation, risks in projects, credit and finance risks and valuation of immaterial assets in the balance sheet.

Control environment

The goal of Solteq's internal control is to support the implementation of the Group strategy and ensure compliance with regulations. The system is based on Group-level policies, guidelines and processes and controls of business operations and support processes. The operating culture is being built by the steering and control of the company's operations by the Board of Directors, the management methods of the company's management, the company's organizational structure and management system, effective utilization of global information system as well as the employees' competence.

The financial department operating under the CFO is responsible for the general controlling function in the financial reporting. The controlling operations are guided by the Audit Committee appointed by the Board of Directors. The Group applies the International Financial Reporting Standards (IFRS).

Risk assessment in financial reporting

The aim of financial reporting is to ensure that assets and liabilities belong to the company; all rights and liabilities of the company are presented in the financial statements; items in the financial statements have been classified, disclosed and described correctly assets, liabilities, income and expenditure are entered in the financial statements at the correct amounts; all the transactions during the reporting period are included in the accounts; transactions entered in the accounts are factual transactions; and that the assets have been secured. The risk management process includes an annual identification and analysis of risks related to financial reporting. In addition, the aim is to analyze and report all new risks immediately after they have been identified. Taking into account the quality and extent of the Group's business operations, the most significant risks associated with the reliability of financial reporting are associated with revenue recognition, processing of bad debt reservation, capitalization of product development expenses, impairment testing of assets (including goodwill, capitalized product development expenses and unfinished projects) and deferred tax.

Control functions

The correctness and reliability of financial reporting are ensured through compliance with the Group guidelines. Controls that ensure the correctness of financial reporting include controls related to accounting transactions, controls related to the selection of and compliance with the accounting principles, information system controls and fraud controls.

Revenue recognition is based on the existence of obligatory sale documents. Goodwill is tested for impairment during the last quarter of the year. In addition indications of impairment are continuously monitored. Information systems support compliance with the Group's acceptance authorizations. Personnel expenses account for a majority of Solteq's expenditure. Actual and forecasted personnel expenses are monitored and the forecasts are updated at a very detailed level regularly. The result of business operations and attainment of annual goals is assessed monthly by Executive Team and Board meetings. Monthly management and Board reporting includes both actual and forecast data compared to the goals and actual results of previous periods.

Solteq has complemented its organic growth with acquisitions in accordance with its strategy. In making acquisitions, the company aims to follow due diligence and utilize its internal and external competence in the planning phase (e.g. due diligence), and in the takeover phase

Communication and information

The purpose of the management's reporting is to produce aptly timed and essential information for making decisions. The financial department provides the guidelines on monthly reporting for the entire organization and is in charge of special reporting instructions associated with budgeting and forecasting. The Financial department internally distributes information on financial reporting-related processes and procedures on a regular basis and the personnel perform their internal control tasks according to such information. When necessary, financial department also arranges targeted training for the rest of the organization on the procedures associated with financial reporting and changes in them. The investor relations maintain the guidelines on the disclosure of financial information in cooperation with financial department.

Monitoring

Monitoring refers to the process to assess Solteq's internal control system and its performance. Solteq also continuously monitors its operations through various assessments, such as internal audits and external audits. Solteq's management monitors internal control as a part of routine management work. The business management is responsible for ensuring that all operations comply with applicable laws and regulations. The financial department monitors the compliance of the financial reporting process and control. The financial department also monitors the correctness of external and internal financial reporting. The Board of Directors assesses and ensures the appropriateness and effectiveness of Solteq's internal control and risk management. Solteq's internal control is also assessed by the company's Auditor. The external auditor verifies the correctness of external annual financial reporting. Performed as part of continuous auditing process, auditing targets on typical controls that ensure the correctness of financial reporting. The most significant observations and recommendations of the audit process according to the auditing plan are reported to the Board of Directors.

Insider administration

Solteq Plc complies with the Guidelines for Insiders issued by Nasdaq Helsinki Ltd which took effect on July 3 2016. Pursuant to Market Abuse Regulation (MAR) the persons holding managerial positions in the Company comprise of the members of the Board of Directors and the Executive Team and some other persons that meet the manager-criteria based on their positions.

A person holding a managerial position in the Company is prohibited from all trading in the Company's securities 30 days before the date of publication of the interim report or financial statements bulletin. Persons holding managerial positions must report all their business transactions related to the Company's securities to the Company and the Financial Supervisory Authority. The Company must publish the information as a stock exchange bulletin.

People who have access to specific insider information are included in the project-specific insiders. The project-specific insiders are prohibited from all trading in the Company's securities until he or she is included in the project-specific insiders.

Executive Team 31 Dec 2016

CEO

Repe Harmanen

Year of birth: 1972
Education: M.Sc.(Econ.)
Main occupation: CEO, Solteq Plc
Essential work experience: Director, Project and application services, Fujitsu Services Ltd; Global Client Director, Hewlett-Packard, EMEA; Global Delivery Country Manager, Hewlett-Packard, Finland; Director, Business Development and International Operations, SysOpen Plc. Solteq Plc 2010–
Member of the Executive team since: 20 Sept 2010
Current key positions of trust: –

Executive Team

Ilkka Brander

Year of birth: 1976
Education: B.Soc.Sc, MBA
Main occupation: VP, Client Solutions Solteq Plc
Essential work experience: S-Verkkopalvelut Oy 2011-2016; 2011-2016; SOK Consumer Goods 2009-2011; Sokos retail chain 2005-2009
Member of the Executive team since: 22 Nov 2016
Current key positions of trust: SGN Group, Member of Board of Directors (since 4 Feb 2017)

Kai Hinno

Year of birth: 1963
Education: Vocational Qualification in Business Information Technology
Main occupation: VP, Operations
Essential work experience: Fujitsu Services Oy 2008-2010; Compaq/Hewlett-Packard 1995-2008
Member of the Executive team since: 14 Nov 2016
Current key positions of trust: –

Harri Ilvonen

Year of birth: 1972
Education: Bachelor of Hospitality Management
Main occupation: VP Digital Solutions Solteq Plc
Essential work experience: Descom 2007–2015; TeliaSonera 1993–2007.
Member of the Executive team since: 1 Oct 2015
Current key positions of trust: –

Antti Kärkkäinen
Year of birth: 1970
Education: M.Sc.(Econ.)
Main occupation: CFO, Solteq Plc
Essential work experience: Solteq Plc 2001- ; KPMG Wideri Oy Ab 1995-2001
Member of the Executive team since: 2001
Current key positions of trust: –

Timo A. Rantanen
Year of birth: 1960
Education: M.Sc. (Econ), MBA
Main occupation: VP, Sales and Accounts
Essential work experience: Solteq Plc 2015-; Nortal Ltd 2009-2015; Digia Plc 2000-2009
Member of the Executive team since: 1 Dec 2015
Current key positions of trust: –

The Board of Directors 31 Dec 2016

Mika Uotila
Chairman of the Board of Directors
Year of birth: 1971
Education: M. Sc. (Econ.)
Main Occupation: Managing Partner, Sentica Partnesr Oy
Career history: Senior management positions, Sentica Partners Oy, Sentio Invest Oy and Sonera Oy, Func Food Group
Member of the Board of Directors since: 2015
The Board Member is independent from the Company

Aarne Aktan
Year of birth: 1973
Educatio: B.Sc. (Econ.)
Main Occupation: CEO, Pihlajalinna Oyj
Career history: CEO, Talentum Oyj; CEO, Quartal Oy; Account Manager, Kauppamainos Bozell Oy
Member of the Board of Directors since: 2015
The Board Member is independent from the Company and Company's significant shareholders.

Eeva Grannenfelt
Year of birth: 1958
Education: M.Sc. (Econ.), CFEA
Main occupation: managing partner, Grannenfelt Finance Oy
Career history: Over thirty years´ senior management experience in banking and mutual insurance company investments, latest Mutual Insurance Company Elo
Member of the Board of Directors since: 2015
The Board Member is independent from the Company and Company's significant shareholders.

Kirsi Harra-Vauhkonen
Year of birth: 1967
Educatio: M.Sc. (Econ.)
Main Occupation: Managing Director, CEO, Sanoma Pro Oy
Career history: Industry Head (retail, branded goods and technology industries), Google; Senior management positions, Nokia Oyj
Member of the Board of Directors since: 2015
The Board Member is independent from the Company.

Markku Pietilä
Year of birth: 1957
Education: M.Sc. (Tech.), MBA
Main Occupation: Professional Board Member
Career history: Profiz Business Solution Oyj; Senior management positions, Componenta Oyj
Member of the Board of Directors since: 2008
The Board Member is independent from the Company.

Olli Väätäinen
Year of birth: 1966
Education: M.Sc. (Econ.)
Main Occucation: COO, Kotipizza Group Oyj
Career history: Advisor, Sentica Partners; management positions in many technology companies
Member of the Board of Directors since: 2015
The Board Member is independent from the Company.

Investor information

Annual general meeting

Annual General Meeting of Shareholders will be held on March 17, 2017 at 13.p.m, in Clarion Hotel Helsinki Airport, Karhumäentie 5, Vantaa. Each shareholder who latest on March 7, 2017 is registered in the shareholders' register held by Euroclear Finland Oy has the right to participate in the General Meeting.

A shareholder who wants to participate in the General Meeting shall register for the meetingno later than Friday March 10, 2017 at 16 p.m, by giving a prior notice of participation. Such notice can be given by telephone +358 41 5297 745 or by email to maria.viiru@solteq.com.

Solteq's financial reporting 2017

- 2017- Financial Statements 2016 on Friday February 17, 2017 at 8 am
- Interim Report 1-3/2017 on Thursday April 20, 2017 at 8 am
- Interim Report 1-6/2017 on Friday July 14, 2017 at 8 am-
- Interim Report 1-9/2017 on Thursday October 26, 2017 at 8 am

Stock exchange bulletins 2016

DATE	BULLETIN
21.12.2016	Solteq Oyj: Solteq has repurchased and cancelled bonds
20.12.2016	Solteq Oyj: Solteq Plc has decided to continue subscription period of share issue directed to personnel due to acquisition of Pardco
20.12.2016	15:05 Solteq Oyj: Growth investment in digital commerce: Solteq Plc makes a niche acquisition to boost the launch of eCommerce Practice and buys Pardco Group Inc.
20.12.2016	Solteq Oyj: Solteq's Financial Reporting and General Meeting in 2017
5.12.2016	Solteq Oyj: Solteq Plc share issue directed to personnel
1.12.2016	Solteq Oyj: Solteq Plc - Managers' transactions
1.12.2016	Solteq Oyj: Solteq Plc - Managers' transactions
22.11.2016	Solteq Oyj: Solteq Plc offers the entire personnel the opportunity to subscribe for shares in the company
14.11.2016	Solteq Oyj: Solteq Plc adjusts its management structure to improve agility
25.10.2016	Solteq Oyj: The newest step in Nordic expansion - Solteq acquires Swedish Aponsa AB
25.10.2016	Solteq Oyj: Solteq Plc Interim Report 1 January - 30 September 2016
12.10.2016	Solteq Oyj: Change in the executive team of Solteq Plc
15.7.2016	Solteq Oyj: Solteq Plc – Manager's transactions
15.7.2016	Solteq Oyj: Solteq Plc – Manager's transactions
15.7.2016	Solteq Oyj: Solteq Plc – Manager's transactions
15.7.2016	Solteq Oyj: Solteq Plc – Manager's transactions
15.7.2016	Solteq Oyj: Solteq Plc – Manager's transactions
15.7.2016	Solteq Oyj: Solteq Plc – Manager's transactions
15.7.2016	Solteq Oyj: Solteq to adapt a stock option scheme and a share-based incentive scheme
15.7.2016	Solteq Oyj: Solteq Plc Interim Report 1.1. - 30.6.2016
8.7.2016	Solteq Oyj: Solteq Plc has concluded a framework agreement on the supply of Musti ja Mirri Group Ltd's retail business solutions to Finland, Sweden and Norway
23.6.2016	Solteq Oyj: Solteq Plc to intiate an efficiency programme concerning commerce and back-end system solutions
25.5.2016	Solteq Oyj: Solteq Plc - Strategy 2016 - 2019: Growth Strategy to focus on international digital commerce and improvement of the customer experience
24.5.2016	Solteq Oyj: Briefing of Solteq's new strategy for press and analysts will be held on Wednesday, May 25th at 11.00 am in Helsinki
21.4.2016	Solteq Oyj: Solteq Plc Interim Report 1.1 – 31.3.2016
16.3.2016	Solteq Oyj: Decisions by the annual general meeting of Solteq Plc
11.3.2016	Solteq Oyj: Proposal of the stakeholders to the annual general meeting of Solteq Plc
1.3.2016	Solteq Oyj: Solteq divests Mainiot Software Ltd and strengthens it's strategy as expert in the field of digital commerce
19.2.2016	Solteq Oyj: Solteq Plc's financial statement 2015 has been published-brief in Periscope
19.2.2016	Solteq Oyj: Notice to the annual general meeting of shareholders
19.2.2016	Solteq Oyj:Financial statements bulletin 1.1.-31.12.2015 (IFRS)
4.1.2016	Solteq Oyj: Solteq Plc: Mergers of subsidiaries