SOLTEQ

Financial Statements Bulletin 2016

Solteq Plc Financial Statements bulletin 1 Jan–31 Dec 2016 (IFRS)

- Solteq's strategy is built on the omnichannel commerce, growth and internationalization.
- We sharpened our solution and service portfolio and gained a foothold in the Swedish market by the M&A activities during the financial year.
- Revenue totaled 63.0 million euros (54.2 million euros).
- Operating profit was 6.444 thousand euros (1.288 thousand euros).
- The adjusted operating profit was 3.114 thousand euros (2.990 thousand euros).
- Solteq Group's equity ratio was 33.5% (24.4%).
- Earnings per share was 0.26 euros (0.01 euros).
- Board proposes to the Annual General Meeting that a dividend of EUR 0.05 per share will be paid for each share.

Key figures

	10-12/16	10-12/15	CHANGE-%	1-12/16	1-12/15	CHANGE-%
Revenue, TEUR	17,704	20,357	−13.0 %	63,049	54,215	16.3%
Operating profit, TEUR	702	230	205.2 %	6,444	1,288	400.3%
Adjusted operating profit, TEUR	905	1,143	−20.8 %	3,114	2,990	4.1%
Profit for the financial period, TEUR	218	−337	−164.7 %	4,612	102	4,421.6%
Earnings/share, e	0.01	−0.02	−150.0 %	0.26	0.01	2,500.0%
Operating profit-%	4.0%	1.1 %		10.2%	2.4%	
Adjusted operating profit-%	5.1 %	1.1 %		4.9%	5.5%	
Equity ratio, %	33.5%	24.4 %		33.5%	24.4%	

Profit guidance 2017

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

CEO Repe Harmanen:

Year of structural changes took Solteq forward

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.

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.

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.

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.

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 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. 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 an 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 euro, 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. The 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.

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, % ot 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

TURNOVER BY OPERATION:

%	1–12/16	1–12/15
Software services	79	72
Licences	20	25
Hardware	2	3

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 adopted 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).

Balance sheet and finance

The total assets amounted to 61,232 thousand euros (64,251 thousand euros). Liquid assets totaled 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.

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 acquisition.

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 the tables in the end of this financial statement bulletin.

Shares, shareholders and treasury shares

Solteq Plc's equity on 31.12.2016 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.

On the balance sheet date a share issue directed to personnel was ongoing as published on December 5 2016. The continued subscription period of the share issue ended on December 30 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 of 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 for 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.

No flagging announcements were made during the financial year.

Stock option scheme and share-based incentive scheme of the management

During the financial year Solteq's Board of Directors decided to adopt a new stock option scheme and share-based incentive scheme for the key employees of the company. The purpose of both schemes is to encourage the key employees to work for the growth of the shareholder value and to commit the key employees to the employer. Terms and conditions of the stock optionscheme and the share-based incentive scheme are presented in more detail in the stock exchange bulletin published on July 15th 2016.

The theoretical market value of the incentive scheme is about 0.6 million euro, which will be recognized as an expense in accordance with IFRS 2 in the years 2016–2018. The expense will not be recognized on a cash flow basis, except for the share of the share-based arrangement paid in cash.

The expense of 245 thousand euros is allocated to the financial result of the financial year and it is recognized in accordance to IFRS 2. 186 thousand euros of the expense is not recognized on a cash flow basis and it is presented as an adjustment item in the calculation of the adjusted operating profit.

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 31.12.2015).

Annual General Meeting

Solteq's Annual General Meeting approved the financial statement for period 1.1.-31.12.2015 and discharged the CEO and the Board of Directors from liability.

The Board of Directors' proposal to the General Meeting that no dividend will be paid from the financial period ended on 31.12.2015 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 April 30, 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 were 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 balance sheet date

After the balance sheet date (on January 26 2017) 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 reporting

This Financial Statements Bulletin 1 January–31 December 2016 has been prepared in accordance with IAS 34. The financial statement figures presented in the bulletin are based on the company's audited financial statements using the same accounting policies. The Auditor's Report was provided on February 16 2017.

The financial result is reported through two business segments. 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. Pardco Group Ltd, acquired in company acquisition published on December 20 2016, is reported as part of the Digital Solutions segment from December 31 2016.

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. MainIoT Software Ltd, divested as published on 1 March 2016, is reported as a part of the Customer Solutions -segment until 29 February 2016. Aponsa AB, acquired in company acquisition published on October 25 2016, is reported as part of the Customer Solutions segment from November 1 2016.

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

Solteq Plc's operative management and the audit committee of the Board have preliminarily evaluated the impacts of the new IFRS 15 standard to the group's financial statements and in this phase conclude following:

- The new standard has a significant impact to the revenue of the group and to the relative profitability, but the impact to the absolute profitability is estimated being minor.
- The group preliminary interpretes that in relation to the retail the group acts as an agent as it will not control these products or services before they are transferred to the customer. Therefore the products or services would be recognised as revenue in the net amount of the consideration which is the amount that equals to the difference between the sales price and purchase price (previously 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 Plc'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.

All forecasts and estimates presented in the bulletin are based on the current views of management on the economic environment and outlook. Because of this, the results can differ as a result of, among other factors, changes in economy, markets and competitive conditions, changes in the regulatory environment and other government actions.

Financial information

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(TEUR)	1 OCT–31 DEC 2016	1 OCT–31 DEC 2015	1 JAN–31 DEC 2016	1 JAN–31 DEC 2015
REVENUE	17,704	20,357	63,049	54,215
Other income	43	109	4,222	125
Materials and services	−6,048	−6,130	−17,938	−15,153
Employee benefit expenses	−8,133	−10,037	−31,001	−26,374
Depreciation and impairments	−527	−560	−1,946	−1,782
Other expenses	−2,338	−3,510	−9,943	−9,744
OPERATING RESULT	702	230	6,444	1,288
Financial income and expenses	−429	−453	−1,713	−984
RESULT BEFORE TAXES	273	−223	4,731	305
Income Taxes	−55	−115	−119	−203
RESULT FOR THE FINANCIAL PERIOD	218	−337	4,612	102
OTHER COMPREHENSIVE INCOME TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS				
Cash flow hedges	0	0	0	29
Other comprehensive income, net of tax	0	0	0	23
TOTAL COMPREHENSIVE INCOM	218	−337	4,612	125
Total profit for the period attributable to owners of the Parent	218	−337	4,612	102
Total comprehensive income attributable to owners of the Parent	218	−337	4,612	125
Earnings/share, e (undiluted)	0.00	−0.02	0.26	0.01
Earnings/share, e(diluted)	0.00	−0.02	0.26	0.01

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

CONSOLIDATED BALANCE SHEET (TEUR)

ASSETS	31 DEC 2016	31 DEC 2015
NON-CURRENT ASSETS		
Tangible assets	2 342	2 032
Intangible assets		
Goodwill	33 520	35 235
Other intangible rights	3 990	4 958
Available-for-sale financial assets	562	987
Trade and other receivables	347	207
Total non-current assets	40 761	43 419
CURRENT ASSETS		
Inventories	55	23
Trade and other receivables	11,939	18,190
Cash and cash equivalents	8,477	2,619
Total current assets	20,471	20,832
TOTAL ASSETS	61,232	64,251
EQUITY AND LIABILITIES		
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		
Share capital	1,009	1,009
Share issue	164	0
Share premium reserve	75	75
Hedging reserve	0	0
Reserve for own shares	-1,109	-1,109
Distributable equity reserve	10,449	10,449
Retained earnings	9,726	4,983
Total equity	20,313	15,407
Non-current liabilities		
Deferred liabilities	821	1,019
Financial liabilities	25,511	27,385
Current liabilities	14,587	20,440
Total liabilities	40,919	48,844
TOTAL EQUITY AND LIABILITIES	61,232	64,251

CASH FLOW STATEMENT (MEUR)

	1–12/2016	1–12/2015
Cash flow from business operations	3.93	0.40
Cash flow from capital expenditure	5.22	–16.5
Cash flow from financing activities		
Own shares	0.00	–0.43
Dividend distribution	0.00	–0.45
Share issue directed to the personnel	0.16	0.00
Loan agreements	–3.46	17.07
Cash flow from financing activities	–3.29	16.19
Change in cash and cash equivalents	5.86	0.09

STATEMENT OF CHANGES IN GROUP EQUITY (TEUR)

A=Share capital
B=Share issue
C=Reserve for own shares
D= Share premium account
E= Hedging reserve
F= Distributable equity reserve
G=Retained earnings
H=Total

	A	B	C	D	E	F	G	H
EQUITY 1 Jan 2015	1,009	0	−1,069	75	−23	6,392	5,328	11,712
Total comprehensive income					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 treasury share						127		127
Dividend distribution							−447	−447
Management incentives						−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
EQUITY 1 Jan 2016	1,009	0	−1,109	75	0	10,449	4,983	15,407
Total comprehensive income							4,612	4,612
Translation difference							−56	−56
Transactions with owners								
Incentive scheme and option scheme							186	186
Share issue directed to the 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

SEGMENT INFORMATION

Turnover by segment

ME	1–12/16	1–12/15	CHANGE
Digital Solutions	31.9	20.8	+11.1
Customer Solutions	31.2	33.4	−2.2
Total	63.1	54.2	8.9

Operating result by segment:

ME	1–12/16	1–12/15	CHANGE
Digital Solutions	2.7	2.0	+0.7
Customer Solutions	0.4	1.1	−0.7
Items unallocated to segments	3.3	−1.9	5.3
Total	6.4	1.3	5.2

QUARTERLY KEY INDICATORS (MEUR)

	1Q/15	2Q/15	3Q/15	4Q/15
Net turnover	9.13	9.82	14.90	20.36
Operating result	0.46	0.66	-0.06	0.23
Result before taxes	0.44	0.64	-0.55	-0.22
	1Q/16	2Q/16	3Q/16	4Q/16
Net tunover	15.37	16.40	13.57	17.70
Operating result	4.92	0.82	0.01	0.70
Result before taxes	4.50	0.40	-0.44	0.27

TOTAL INVESTMENTS (TEUR)

	1–12/2016	1–12/2015
Continuing operations, group total	−208	23,259

LIABILITIES (MEUR)

	31 DEC 2016	31 DEC 2015
Business mortgages	10.00	10.00
Other lease liabilities	0.12	0.25
Lease liabilities for premises	5.18	6.20

RELATED PARTY TRANSACTIONS (TEUR)

	31 DEC 2016	31 DEC 2015
Renting arrangements	0	80
Sales to group company	0	70
Outsourcing expenses	0	3
Purchasing the capital stocks of the Management companies	0	383

Transactions with the insiders have been done at market price and are part of the company's normal software service business.

FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The fair values of the financial assets and liabilities are mainly the same as the book values on both 31.12.2016 and 31.12.2015. Hence they are not presented in table form in the bulletin.

DISTRIBUTION OF HOLDINGS BY SECTOR DECEMBER 31, 2016

	NUMBER OF HOLDINGS	SHARES AND VOTES	
		%	NUMBER
Private companies	68	45.1	8,019,980
Financial and insurance institutions	8	2.5	442,002
Public-sector organizations	2	18.2	3,245,597
Households	1,898	34.0	6,050,038
Non-profit organizations	2	0.0	231
Foreigners	6	0.2	40,211
Total	1,984	100.0	17,798,059
Total of Nominee-registered	5	1.0	169,847

DISTRIBUTION BY NUMBER OF SHARES DECEMBER 31, 2016

	NUMBER OF HOLDINGS	SHARES AND VOTES	
NUMBER OF SHARES		%	NUMBER
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
Total of Nominee-registered	5	1.0	169,847

MAJOR SHAREHOLDERS DECEMBER 31,2016

	SHARES AND VOTES	
	NUMBER	%
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 shareholders total	13,371,443	75.1%
Total of nominee-registered	169,847	1.0%
Others	4,256,769	23.9%
Total	17,798,059	100.0%

FINANCIAL PERFORMANCE INDICATORS (IFRS)

	2016	2015	2014	2013	2012
Net turnover MEUR	63.1	54.2	40.9	38.1	39.0
Change in net turnover	16.3%	32.5%	7.4%	–2.3%	43.7%
Operating result MEUR	6.4	1.3	2.5	2.1	2.7
% of turnover	10.2%	2.4%	6.1%	5.6%	7.0%
Result before taxes MEUR	4.7	0.3	2.3	1.9	2.4
% of turnover	7.5%	0.6%	5.7%	5.1%	6.2%
Equity ratio, %	33.5	24.4	48.0	43.5	37.2
Gearing, %	85.0%	167.4%	16.3%	29.4%	51.5%
Gross investments in non-current assets MEUR	–0.2	23.3	1.0	1.0	7.4
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%
Personnel at end of period	441	500	279	277	288
Personnel average for period	454	391	281	287	270
KEY INDICATORS PER SHARE					
Earnings / share, e	0.26	0.01	0.13	0.11	0.12
Earnings / share, e (diluted)	0.26	0.01	0.13	0.11	0.12
Equity / share, e	1.20	0.91	0.79	0.72	0.67

Alternative performance measures to be used by Solteq in financial reporting

The new guidelines of the European Securities and Markets Authority (ESMA) on Alternative Performance Measures (APM) entered into force on 3 July 2016. In response to the new regulations, Solteq has revised its terminology related to financial key figures.

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

As from the second quarter of 2016, Solteq's new definition for the earlier term"excluding (or before) non-recurring items" will be "adjusted". Operating profit (EBIT) excluding non-recurring items will bereplaced by adjusted operating profit.

Solteq's other alternative performance measures will be sales margin, equity ratio, gearing, return on equity, profit from invested equity and net debt. The calculation principles of these financial key figures are presented as part of this interim report, and their content correspond to the principles applied in the first interim report for 2016. The performance measures presented as rolling 12 months include the total figures of the past four quarters.

The adjusted items and alternative performance measures in terms of the new terminology are the following:

Adjusted items:

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

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

Adjusted operating profit (EBIT):

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

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

TEUR	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
Adusted 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

CALCULATION OF FINANCIAL RATIOS

Solvency ratio, in percentage

$$\frac{\text{equity}}{\text{balance sheet total – advances received}} \times 100$$

Gearing:

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

Return on Equity (ROE) in percentage:

$$\frac{\text{profit or loss before taxation –taxes}}{\text{equity}} \times 100$$

Profit from invested equity in percentage:

$$\frac{\text{profit or loss before taxation+ interest expenses and financing expenses}}{\text{equity}} \times 100$$

Earnings per share:

$$\frac{\text{pre-tax result – taxes +/- minority interest}}{\text{diluted average share issue corrected number of shares}}$$

Diluted earnings per share

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

Equity per share:

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

Sales margin = Revenue – Materials and services

Business combinations

Financial year 2016

Aponsa AB & Pardco Group Oy

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

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

Impact of the acquired companies to Solteq Group

AGGREGATE FIGURES FOR THE ACQUISITION THOUSAND EUR	ACQUISITION
Consideration	
Paid in cash	602
Directed issue	779
Total	**1 381**
Preliminary provisional values of the assets and liabilities from the acquisition	
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 asets	**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 relate 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 profit*	-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 Group's 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 if the consolidation would have happened in the beginning of the financial year because it has not significant effect on Solteq Group's figures in financial year 2016

Financial year 2015

Descom Group Oy

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.

AGGREGATE FIGURES FOR THE ACQUISITION

AGGREGATE FIGURES FOR THE ACQUISITION THOUSAND EUR	2 JUL 2015
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	**7–12/2015**
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 if 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

Financial reporting

Solteq's audited financial statements for the year 2016 is published in the company's website on February 17, 2017. Additional information on 2016 is also available on our website from February 17, 2017. We will not publish printed Annual Report.

Solteq Plc's financial information bulletins in 2016 have been scheduled as follows:

- Interim Report 1–3/2017 Thursday April 20, 2017 at 8.00 am
- Interim Report 1–6/2017 Friday July 14, 2017 at 8.00 am
- Interim Report 1–9/2017 Thursday October 26, 2017 at 8.00 am

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

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