SOLTEQ

Interim report Q1 2019

1 JANUARY–31 MARCH 2019

Solteq Plc Interim Report 1 January–31 March 2019

- Solteq Group implemented the IFRS 16 Leases -standard effective from 1 January 2019
  - The new standard was implemented using the modified retrospective approach, in which the comparative figures for prior financial periods were not restated.
- Revenue totaled 14,930 thousand euros (14,871).
- EBITDA was 2,455 thousand euros (1,924).
- Operating profit was 1,530 thousand euros (1,305).
- The implementation of IFRS 16 -standard improved EBITDA by 459 thousand euros and the operating profit by 46 thousand euros during the review period.
- Earnings per share was 0.04 euros (0.04).
- Solteq Group's equity ratio was 31.1 percent (32.9).
- The Group's equity ratio excluding the impact from adopting the IFRS 16 -standard would have been 34.0 percent during the review period.
- Net cash flow from operating activities was 890 thousand euros (-94).
- The revenue was 0.4 percent higher than in the comparison period. Continuous services accounted for approximately one third of the revenue.
- We invest strongly in future growth by focusing on the development of our own cloud-based software products and services. During the reporting period the product development investments amounted to EUR 1.0 million.

Key figures

	1-3/2019	**1-3/2018**	**Change-%**	**1-12/2018**	**Rolling 12mos**
Revenue, TEUR	14,930	14,871	0.4	56,867	56,925
EBITDA, TEUR	2,455	1,924	27.6	4,766	5,296
Adjusted EBITDA, TEUR	2,465	1,910	29.1	5,417	5,972
Operating profit, TEUR	1,530	1,305	17.2	2,466	2,690
Adjusted operating profit, TEUR	1,540	1,291	19.3	3,117	3,366
Profit for the financial period, TEUR	810	658	23.2	356	508
Earnings per share, EUR	0.04	0.04	18.6	0.02	0.03
Operating profit, %	10.2	8.8		4.3	4.7
Adjusted operating profit, %	10.3	8.7		5.5	5.9
Equity ratio, %	31.1	32.9		32.4	30.7

Profit guidance 2019

Solteq Group's operating profit is expected to grow clearly compared to the financial year 2018.

CEO Olli Väätäinen:

The company's operating profit improved

The Solteq Group's revenue for the review period was 14.9 million euros, an increase of 0.4 percent. One fifth of revenue originated from outside Finland. Continuous services accounted for approximately one third of the revenue. The company's own software products and the related services accounted for approximately one-third and digital services approximately two-thirds of the revenue.

The EBITDA for the review period was 2.5 million euros and operating profit 1.5 million euros, which was in line with the company's expectations. The operating profit increased by 13.7 percent, considering the impact of the implementation of IFRS 16 -standard. Performance of company's international operations developed positively.

Solteq continued to invest significantly in the development of its own cloud-based software products and services. The company signed several new contracts for these products. Company's own cloud-based software products are delivered as Software as a Service-model and they increase the company's ARR (Annual Recurring Revenue). The product development investment during the first quarter was 1.0 million euros. The investment into product development is estimated to increase to approximately 3.5 million euros by the end of the financial year.

The Group's personnel increased by 35 people compared to the corresponding period of the previous year and was 586 at the end of the review period.

The Group's order intake was significantly better in the first quarter than in the corresponding period last year. The business outlook has remained unchanged, and the company's profitability is expected to develop positively.

Operating environment and business development

We are specialized in digitalization of businesses. Our strengths lie in our long-term experience of the industries for which we develop solutions. Retail, industry, energy, and services are the key industries we are focused in.

Our operations include project-specific and continuous professional services as well as industry-specific software products. The common denominator between these services is the in-depth industry expertise we have developed during Solteq's 37 years of operations. Our technology choices are based on growing market trends, such as cloud services, SaaS, artificial intelligence, analytics and robotics.

Digitalization is emerging as a key aspect in organizations. Digital solutions are expected to generate concrete and quantifiable business benefits. Such solutions include for example digital self-service channels, market roll-outs of new electronic services, e-commerce, the productive use of a continuously growing amount of data and the automation of manual operations. Translating technical innovations into practical customer value is the foundation of future success.

Enterprises are moving to cloud services at an accelerating pace. Gartner estimates that the global cloud services market will grow by 17.3% and reach 180 billion euros in 2019. Microsoft and Amazon are the market leaders in this sector.

SaaS (Software as a Service) has become an integral aspect of today's business. According to a report published by Business Wire, the global SaaS market is expected to grow by 21.2% by 2023.

SaaS Smart Robotics plays a significant role in our product development. The industry is seeing significant growth and various studies estimate it will grow at an annual rate of approximately 30% (CAGR) to approach a milestone of 10 billion euros by 2023.

Robotics and artificial intelligence are changing the society. A good example of this is the national ROSE project in Finland, which explores how the advancement in service robotics will enable product and service innovation as well as the renewal of wellbeing services, particularly in response to the needs of the ageing population. Robotics will also create new jobs and it is predicted that the number of new jobs it creates will exceed the number of jobs it makes redundant.

Revenue and profit

Revenue from contracts with customers

TEUR	1-3/2019	1-3/2018	1-12/2018
Services	11,581	12,580	48,462
Revenue from long-term projects	1,786	583	2,124
Revenue from software licenses	1,533	1,648	5,921
Hardware sales	31	60	360
Total	**14,930**	**14,871**	**56,867**

Revenue increased by 0.4 percent compared to the previous year and totaled 14,930 thousand euros (14,871).

Revenue consists of several individual customers, many of which are long-term customer relationships. At most one customer accounts for less than ten percent of the revenue.

Operating profit for the review period was 1,530 thousand euros (1,305). Adjusted operating profit was 1,540 thousand euros (1,291). The implementation of IFRS 16 -standard improved operating profit by 46 thousand euros compared to the corresponding period of the previous year.

Financial expenses increased by 69 thousand euros as a result of the IFRS 16 -standard implementation, and the result before taxes was 1,062 thousand euros (897). The result for the financial period was 810 thousand euros (658).

Balance sheet and finance

The total assets amounted to 73,497 thousand euros (67,506 thousand euros). Liquid assets totaled 3,805 thousand euros (2,071). The company has a standby credit limit of 4,000 thousand euros and a bank account credit limit of 2,000 thousand euros. At the end of the review period, these were unused. The company was granted a Business Finland- product development loan for 839 thousand euros during the review period.

The measures taken to improve the working capital circulation during the second quarter of 2018 have progressed as expected and will continue.

The Group's interest-bearing liabilities were 33,350 thousand euros (29,273).

Solteq Group's equity ratio was 31.1 percent (32.9). The Group's equity ratio without the impact of the implementation of the IFRS 16 -standard would have been 34.0 percent.

On 1 July 2015 Solteq Plc (Solteq) issued an unsecured bond of 27 million euros. The bond carries a fixed annual interest of 6 percent and its maturity is five years. To reduce the company's interest costs Solteq Plc repurchased and cancelled the share of 2.5 million euros of the above-mentioned bond during the financial year 2016.

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

Investment, research and development

The net investments during the review period were 1,245 thousand euros (4,910). During the review period, 1,026 thousand euros (306) of the net investments were capitalized development costs relating to continued further development of the existing software products and the development of new software products. Replacement investments were 219 thousand euros (163). In the comparison period 4,441 thousand euros of the net investments related to the acquired acquisition.

Capitalized development costs include 693 thousand euros (228) of staff costs.

Personnel

The number of permanent employees at the end of the review period was 586 (551).

Key figures for group's personnel

	1-3/2019	1-3/2018	1-12/2018
Average number of personnel during the period	587	512	567
Employee benefit expenses, TEUR	7,895	7,307	29,465

Related party transactions

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

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

Shares, shareholders and treasury shares

Solteq Plc’s equity on 31 March 2019 was 1,009,154.17 euros which was represented by 19,306,527 shares. The shares have no nominal value. All shares have an equal entitlement to dividends and company assets. Shares are governed by a redemption clause.

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

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

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

The theoretical market value of the incentive scheme was at the time of the implementation about 0.6 million euros which was recognized as an expense in accordance with IFRS 2 in the years 2016–2018. The expense is not recognized on a cash flow basis except for the share of the share-based.

Exchange and rate

During the review period, the exchange of Solteq’s shares in the Helsinki Stock Exchange was 0.2 million shares (0.2) and 0.3 million euros (0.4). The highest rate during the review period was 1.65 euros and lowest rate 1.27 euros. The weighted average rate of the share was 1.45 euros and end rate 1.50 euros. The market value of the company’s shares at the end of the review period totaled 28.9 million euros (29.0).

Ownership

At the end of the review period, Solteq had a total of 2,168 shareholders (2,237). Solteq’s 10 largest shareholders owned 13,264 thousand shares i.e. they owned 68.7 percent of the company’s shares and votes. Solteq Plc’s members of the Board of Directors and CEO owned 592 thousand shares on 31 March 2019 (592).

Annual General meeting

Solteq’s Annual General Meeting on 27 March 2019 approved the financial statement for period 1 January – 31 December 2018 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 year ended on 31 December 2018 was accepted.

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

The maximum total amount of shares or other rights to be issued under the authorization is 3,000,000. The authorization includes the right to give new shares and rights or convey company's own shares. The authorization includes a right to deviate from the shareholders' pre-emptive right of subscription if there is a significant financial reason in company's opinion. These reasons include, but are not limited to, improving the capital structure, financing and executing business acquisitions and other business improvement arrangements or being used as a part of remuneration of personnel. The authorization includes that the Board of Directors may decide all the other terms and other matters concerning the share issue and rights. The authorization is effective until the next Annual General Meeting, however, no longer than until 30 April 2020.

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

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

The Annual General Meeting decided to amend 2 § Line of Business of Articles of Association according to the Board of Directors' proposal as follows:

2 § Line of business

The company's line of business is to develop, sell, consult, import, produce and rent information technology services, software, and related equipment as well as other business related to the aforesaid. The company can own and manage real estate, shares and securities.

Board of directors and auditors

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

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

In addition, Aarne Aktan, Lotta Kopra and Markku Pietilä were appointed to the members of the Audit Committee. Aarne Aktan acts as the Chairman of the Audit Committee.

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

Events after the reporting period

The company’s management is not aware of any events of material importance after the review period that might have affected the preparation of the interim report.

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, developing company’s own products and their commercialization, 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 Executive team’s duties. In addition, the Company has the Audit Committee appointed by the Board of Directors.

Financial reporting

This Interim Report has been prepared in accordance with the recognition and valuation principles of IFRS standards and using IAS 34 and the same accounting policies as the Financial Statements 2018. The information presented in the interim report has not been audited.

Solteq Group has one reported segment, Software Services.

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

Changes in the accounting principles

Solteq Group has applied the IFRS 16 Leases -standard effective from 1 January 2019. The standard is implemented using the modified retrospective approach, in which the comparative figures for prior financial periods have not been restated. The impact of the standard to the Group’s opening balance has been demonstrated below in the section “New IFRS 16 Leases -standard effective from 1 January 2019“. The present value of the remaining unpaid lease liabilities of contracts which were in effect on 1 January 2019, that were previously classified as operating leases, was recognized as a liability. At the time of implementation of the standard, the amount of the lease liability was recognized as a right-of-use asset, and the implementation had no impact on the Group's equity.

The new standard replaced the IAS 17 –standard and related interpretations. IFRS 16 -standard requires lessees to recognize the lease agreements in the balance sheet as right-of-use assets and lease liabilities. The accounting model is similar to finance lease accounting in accordance with IAS 17. There are two practical exemptions available: short-term leases with a maximum lease term of 12 months, and leases for a maximum value of approximately USD 5,000 of the underlying asset. The lessor accounting treatment remains mostly in line with the previous IAS 17 accounting.

Solteq is a lessee and mainly leases business premises. The implementation of the new standard changed the accounting treatment of these leases. In addition, the Group has leased assets under finance leases. These assets have been recognized in the balance sheet already in the previous financial periods and the implementation of the standard has no material impact to the financial leases. Solteq applies the exemption for short-term leases allowed under the IFRS 16 -standard as well as the exemption for low value assets on a contractual basis. Solteq is not a lessor at the moment.

According to IFRS 16 -standard, the lessee's lease period is the period during which the lease cannot be terminated. Also, a potential extension or termination option should be considered, if the use of such option is judged to be reasonably certain. The lease agreements for premises are mainly fixed-term. The lease term for ongoing contracts will be regularly assessed by Solteq's management, and the length of the lease term is based on management's estimate.

The lessee should value the lease agreement by discounting the future minimum lease payments to the present value at the inception of the contract. The internal interest rate implicit in the lease is not readily available, the future minimum lease payments are discounted using Solteq's incremental borrowing rate. According to the standard, the incremental borrowing rate is defined as the interest that the lessee would have to pay when borrowing for the similar term and with s similar security to obtain an asset of an equivalent value to the right-of-use asset in a similar economic environment. Solteq determines the incremental borrowing rate for leases based on the lease term and the financial environment of the lease.

Financial information

Consolidated statement of comprehensive income

TEUR	1-3/2019	1-3/2018	1-12/2018
Revenue	**14,930**	**14,871**	**56,867**
Other income	-34	0	487
Materials and services	-924	-2,112	-6,089
Employee benefit expenses	-9,301	-8,837	-35,602
Depreciations and impairments	-925	-619	-2,300
Other expenses	-2,216	-1,998	-10,897
Operating result	**1,530**	**1,305**	**2,466**
Financial income- and expenses	-467	-408	-1,824
Result before taxes	**1,062**	**897**	**642**
Income taxes	-252	-239	-286
Result for the financial period	**810**	**658**	**356**
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Currency translation differences	-45	-68	-14
Other comprehensive income, net of tax	-45	-68	-14
Total comprehensive income	**765**	**590**	**342**
Total profit for the period attributable to owners of the parent	810	658	356
Total comprehensive income attributable to owners of the parent	765	590	342
Earnings per share, EUR (undiluted)	0.04	0.04	0.02
Earnings per share, EUR (diluted)	0.04	0.04	0.02

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

Consolidated statement of financial position

TEUR	31 Mar 2019	31 Mar 2018	31 Dec 2018
Assets			
Non-current assets			
Tangible assets	8,484	2,137	2,355
Intangible assets			
Goodwill	40,392	39,952	40,427
Other intangible assets	7,829	6,573	6,952
Other investments	481	465	481
Trade receivables	228	163	233
Non-current assets total	**57,414**	**49,290**	**50,448**
Current assets			
Inventories	158	146	94
Trade and other receivables	12,120	15,999	11,985
Cash and cash equivalents	3,805	2,071	5,347
Current assets total	**16,083**	**18,216**	**17,426**
Total assets	**73,497**	**67,506**	**67,874**
Equity and liabilities			
Equity attributable to equity holders of the parent company			
Share capital	1,009	1,009	1,009
Share premium reserve	75	75	75
Distributable equity reserve	12,910	12,922	12,910
Retained earnings	8,568	8,021	7,803
Total equity	**22,562**	**22,027**	**21,797**
Non-current liabilities			
Deferred tax liabilities	789	1,238	815
Financial liabilities	30,716	25,347	25,551
Non-current liabilities total	**31,505**	**26,585**	**26,366**
Current liabilities			
Current liabilities	19,430	18,894	19,712
Current liabilities total	**19,430**	**18,894**	**19,712**
Total equity and liabilities	**73,497**	**67,506**	**67,874**

Cash flow statement

TEUR	1-3/2019	1-3/2018	1-12/2018
Cash flow from operating activities			
Result for the financial period	810	658	356
Adjustments for operating profit	375	527	3,797
Changes in working capital	-265	-1,275	5,675
Interests paid	-101	-15	-2,054
Interests received	71	11	228
Net cash from operating activities	**890**	**-94**	**8,002**
Cash flows from investing activities			
Acquisition of subsidiaries		-2,238	-2,291
Investments in tangible and intangible assets	-1,092	-338	-3,304
Net cash used in investing activities	**-1,092**	**-2,576**	**-5,595**
Cash flow in financing activities			
Long-term loans, increase	839		
Short-term loans, increase		3,371	2,000
Short-term loans, decrease	-2,000	-25	-40
Payment of finance lease liabilities	-179	-157	-573
Net cash used in financing activities	**-1,341**	**3,189**	**1,387**
Changes in cash and cash equivalents	**-1,542**	**519**	**3,795**
Cash and cash equivalents 1 Jan	5,347	1,552	1,552
Cash and cash equivalents 31 Mar	**3,805**	**2,071**	**5,347**

Statement of changes in group equity

TEUR	Share capital	Share premium account	Currency translation difference	Invested unrestricted equity reserve	Earnings	Total
Equity 1 Jan 2018	1,009	75	-42	11,960	7,518	20,520
Impact of the implementation of IFRS 9					-16	-16
Change of IFRS 2 standard					-15	-15
Adjusted equity 1 Jan 2018	**1,009**	**75**	**-42**	**11,960**	**7,487**	**20,489**
Comprehensive income					658	658
Other items on comprehensive income			-68			-68
Total income	**0**	**0**	**-68**	**0**	**658**	**590**
Transactions with owners						
Incentive scheme and option scheme					-14	-14
Directed issue to the owners of TM United A/S				962		962
Transactions with owners	**0**	**0**	**0**	**962**	**-14**	**948**
Equity 31 Mar 2018	**1,009**	**75**	**-110**	**12,922**	**8,131**	**22,027**
Equity 1 Jan 2019	**1,009**	**75**	**-56**	**12,910**	**7,859**	**21,796**
Comprehensive income					810	810
Other items on comprehensive income			-45			-45
Total income	**0**	**0**	**-45**	**0**	**810**	**765**
Equity 31 Mar 2019	**1,009**	**75**	**-101**	**12,910**	**8,669**	**22,562**

Total investments

TEUR	1-3/2019	1-3/2018	1-12/2018
Group total	1,245	4,910	8,283

Liabilities

TEUR	31 Mar 2019	31 Mar 2018	31 Dec 2018
Business mortgages	10,000	10,000	10,000
Other lease liabilities	116	250	253
Lease liabilities for premises	19	7,926	6,485

Related party transactions

TEUR	1-3/2019	1-3/2018	1-12/2018
Service sales		1	23
Renting arrangements		0	0
Purchases	2		105

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

Fair value of financial assets and financial liabilities

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

Major shareholders 31 March 2019

		Shares and votes	
		number	**%**
1.	Sentica Buyout III Ky	4,621,244	23.94
2.	Profiz Business Solution Oyj	2,042,641	10.58
3.	Keskinäinen Työeläkevakuutusyhtiö Elo	2,000,000	10.36
4.	Saadetdin Ali	1,403,165	7.27
5.	Keskinäinen työeläkevakuutusyhtiö Varma	1,245,597	6.45
6.	Aalto Seppo	700,000	3.63
7.	Roininen Matti	446,000	2.31
8.	Väätäinen Olli	400,000	2.07
9.	Lamy Oy	225,000	1.17
10.	Sentica Buyout III Co-Investment Ky	180,049	0.93
10 largest shareholders total		13,263,696	68.70
Total of nominee-registered		1,019,391	5.28
Others		5,023,440	26.02
Total		**19,306,527**	**100.00**

Financial performance indicators

	1-3/2019	1-3/2018	1-12/2018
Revenue, MEUR	14.9	14.9	56.9
Change in revenue, %	0.4	13.6	12.1
Operating profit, MEUR	1.5	1.3	2.5
% of revenue	10.2	8.8	4.3
Result before taxes, MEUR	1.1	0.9	0.6
% of revenue	7.1	6.0	1.1
Equity ratio, %	31.1	32.9	32.4
Gearing, % *	131.0	123.5	101.9
Net investments in non-current assets, MEUR	1.2	4.9	8.3
Return on equity, rolling 12 months, %	2.3	-2.7	1.7
Return on investment, rolling 12 months, %	5.2	3.0	5.2
Personnel at end of period	586	551	586
Personnel average for period	587	512	567

* Gearing, % without the impact of the implementation of IFRS 16 -standard would have been 104.3 percent.

Key indicators per share

	1-3/2019	1-3/2018	1-12/2018
Earnings per share, EUR (undiluted)	0.04	0.04	0.02
Earnings per share, EUR (diluted)	0.04	0.04	0.02
Equity per share, EUR	1.17	1.14	1.13

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

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

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

Adjusted items and alternative performance measures in terms of the new terminology

Adjusted items:

Transactions that are unrelated to the regular business operations, or valuation items that do not affect the cash flow, but have an important impact on the income statement, are adjusted as items 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 re-organization of operations
- Costs incurred by the integration of acquired business operations
- Non-recurring severance packages
- Fee items that are not based on cash flow
- Costs incurred by changes in legislation
- Fines and similar indemnities, damages and legal costs

Adjusted operating profit (EBIT)

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

TEUR	Q1/19	1-3/19	Q4/18	Q3/18	Q2/18	Q1/18	1-12/18
Operating profit (EBIT)	**1,530**	**1,530**	**645**	**492**	**24**	**1,305**	**2,466**
Adjustments							
Incentive and option scheme (IFRS 2)						-14	-14
Acquisition of subsidiaries					12		12
Change in fair value of conditional consideration			-460				-460
Cost of integrating the acquired business	10	10	72				72
Non-recurring severance packages			59	66	117		241
Damages from completed customer projects			800				800
Total adjustments	**10**	**10**	**470**	**66**	**128**	**-14**	**651**
Adjusted operating profit (EBIT)	**1,540**	**1,540**	**1,115**	**558**	**153**	**1,291**	**3,117**

Calculation of financial ratios

Solvency ratio, %: equity / (balance sheet total – advances received) x 100

Gearing, %: (interest bearing liabilities – cash, bank balances and securities) / equity x 100

Return on Equity (ROE), %: profit for the financial period (rolling 12 months) / equity (average for the period) x 100

Return on investment (ROI), %: (result before taxes + finance expenses (rolling 12 months)) / (balance sheet total – interest free debt (average for the period)) x 100

Earnings per share: (result before taxes -/+ minority interest) / adjusted average basic number of shares

Diluted earnings per share: (result before taxes -/+ minority interest) / adjusted average diluted number of shares

EBITDA: operating profit + depreciation and impairments

Business combinations

There were no acquisitions during the review period.

Financial year 2018

During the financial year 2018, two company acquisitions were made.

TM United A/S

Solteq Plc purchased the entire share capital of TM United A/S on 15 January 2018. TM´s solutions are focused on digital transactions and the optimization of the online customer experience. TM United A/S has been consolidated to Solteq Group since 1 January 2018.

ProInfo A/S / NAV-business acquisition

Growth in Denmark and the Nordic countries was boosted with a business acquisition with ProInfo A/S on 15 June 2018. Solteq Group acquired expertise and customer relationships related to IT and HoReCa IT systems. In the acquisition 12 IT professionals were transferred to Solteq. ProInfo A/S has been consolidated to Solteq Group since 1 June 2018.

Impact of the acquired companies to Solteq group

Aggregate figures for the acquisition	**Acquisition date**
TEUR	15.1./15.6.2018
Consideration	
Paid in cash	3,513
Directed issue	950
Total	4,463
Values of the assets and liabilities arising from the acquisition	
Tangible assets	17
Intangible assets **	586
Inventories	6
Trade and other receivables	1,300
Cash and cash equivalents	1,243
Total assets	3,152
Trade payables and other liabilities	-2,177
Financial liabilities	-40
Total liabilities	-2,217
The goodwill value of the acquisition	3,527
Cash flow from the acquisition	
Consideration paid in cash in 2018	3,479
Cash and cash equivalents of the acquired companies	1,241
Total cash flow from the acquisition	2,238

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

** Depreciations of the intangible rights during the reporting period are 70 thousand euros.

Expenses related to the acquisition	
Other expenses	245
Total expenses related to the acquisition	245
Impact on the Solteq Group's number of personnel	47
Impact on the Solteq Group's comprehensive income statement	**1.12.2018**
Revenue *	5,476
Operating profit *	15

* The amount of the revenue and the operating profit from the acquisition date to the end of the reporting period. TM United is consolidated to Solteq Group as of 1 January 2018 and NAV-business acquisition as of 1 June 2018. The revenue and operating profit of the acquired companies is not presented as the consolidation as the consolidation would have happened in the beginning of the financial year because it has not a significant effect on Solteq Group's figures.

New IFRS 16 Leases -standard effective from 1 January 2019

Adjusted consolidated statement of financial position 1 Jan 2019

TEUR	Reported 31 Dec 2018	IFRS 16 adjustment	Adjusted 1 Jan 2019
Assets			
Non-current assets			
Tangible assets	2,355	6,398	8,754
Non-current assets total	**50,448**	**6,398**	**56,846**
Total assets	**67,874**	**6,398**	**74,272**
Equity and liabilities			
Non-current liabilities			
Financial liabilities	25,551	4,706	30,256
Non-current liabilities total	**26,366**	**4,706**	**31,071**
Current liabilities			
Current liabilities	19,712	1,693	21,404
Current liabilities total	**19,712**	**1,693**	**21,404**
Total equity and liabilities	**67,874**	**6,398**	**74,272**

Impact of IFRS 16 to consolidated statement of financial income

TEUR	1-3/2019 excluding the impact of IFRS 16	Impact of IFRS 16	1-3/2019
Revenue	**14,930**		**14,930**
Other income	-34		-34
Materials and services	-924		-924
Employee benefit expenses	-9,301		-9,301
Depreciations and impairments	-512	-413	-925
Other expenses	-2,675	459	-2,216
Operating result	**1,484**	**46**	**1,530**
Financial income- and expenses	-398	-69	-467
Result before taxes	**1,086**	**-24**	**1,062**

Income taxes	-257	5	-252
Result for the financial period	**829**	**-19**	**810**

Financial reporting in 2019

Solteq Plc's financial information bulletins in 2019 have been scheduled as follows:

- Half Year Report 1-6/2019 Tuesday August 13, 2019 at 8.00 am
- Interim Report 1-9/2019 Tuesday October 29, 2019 at 8.00 am

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

Further information:

CEO, Olli Väätäinen
Tel: +358 50 557 8111
E-mail: olli.vaatainen@solteq.com

CFO, Martti Nurminen
Tel: +358 40 751 7194
E-mail: martti.nurminen@solteq.com

Distribution:

NASDAQ OMX Helsinki
Key media
www.solteq.com