

SOLTEQ



Interim Report Q1 2021

JANUARY 1–MARCH 31, 2021

Solteq Plc Interim Report January 1–March 31, 2021

The company continued its strong profitable growth driven by Utilities business

January–March

- Revenue totaled EUR 17.4 million (15.7) and increased by 10.9 percent
- EBITDA was EUR 3.5 million (1.9) and EBITDA percent was 20.1 (12.0)
- Operating profit was EUR 2.2 million (0.7) and operating profit percent was 12.8 (4.6)
- Earnings per share was EUR 0.08 (0.00)
- Solteq Group's equity ratio was 32.4 percent (31.5)
- Net cash flow from operating activities was EUR 3.5 million (3.4)

Key figures

	1-3/2021	1-3/2020	Change %	1-12/2020	Rolling 12mos
Revenue, TEUR	17,383	15,674	10.9	60,452	62,160
EBITDA, TEUR	3,490	1,875	86.2	10,380	11,995
Comparable EBITDA, TEUR	3,554	2,039	74.3	10,810	12,325
Operating profit, TEUR	2,232	716	211.6	5,350	6,866
Comparable operating profit, TEUR	2,296	880	160.8	5,780	7,196
Profit for the financial period, TEUR	1,456	40	3,540.0	1,980	3,396
Earnings per share, EUR	0.08	0.00	3,523.1	0.10	0.18
Operating profit, %	12.8	4.6		8.9	11.0
Comparable operating profit, %	13.2	5.6		9.6	11.6
Equity ratio, %	32.4	31.5		35.5	32.9

Profit guidance 2021

Solteq Group's revenue is expected to grow clearly and operating profit to improve clearly.

CEO Olli Väättäinen's review:

Solteq Group's revenue grew clearly, and profit improved considerably relative to the comparison period. Solteq Group's revenue was EUR 17.4 million, an increase of 10.9 percent. The Group's operating profit was EUR 2.2 million, up by 211.6 percent from the comparison period. The Group's operating profit margin was 12.8 percent. The company's EBITDA increased by 86.2 percent relative to the comparison period, amounting to EUR 3.5 million. Solteq Group's EBITDA margin was 20.1 percent.

Solteq Group's business operations are organized into two segments: Solteq Software (software business) and Solteq Digital (services business). The Software segment accounted for just over one-third of the Group's revenue, and the Digital segment for just under two-thirds. The Software segment accounted for 44.3 percent of the Group's EBITDA. The result of both segments was good. Revenue from international subsidiaries accounted for 21.6 percent of the Group's revenue, which was slightly below the comparison period due to the COVID-19 pandemic.

Solteq Software's revenue increased by 43.1 percent in the first quarter. The growth was significant, and mostly organic. The business transfer agreement with Partiture Oy at the beginning of March slightly increased the revenue of Utilities business area. Investments in the company's product development amounted to EUR 0.7 million. Reporting of recurring revenue for the Software segment began at the beginning of the financial year. Recurring revenue accounted for 29.1 percent of the segment's revenue in the first quarter. The company estimates that the share of recurring revenue will increase to about one-third of the segment's revenue this year. The segment's long-term financial goal is to increase revenue by at least 20 percent annually, and to increase the share of recurring revenue to more than 50 percent over the next three years.

Solteq Digital's revenue remained almost at the level of the comparison period. The segment's profitability improved significantly, and operating profit margin was 11.9. The growth of the segment was slowed by the COVID-19 pandemic, which continued to have a negative impact on travel, service, and leisure sectors. In addition, major customer projects were completed, while the launch of new customer projects was delayed.

Solteq Group's business outlook is good both in Finland and internationally. Driven by the Utilities business, the Solteq Software segment is expected to continue its upward growth trend. Despite the pandemic, the outlook for the Solteq Digital segment is expected to remain at the previous financial year's level or even to grow moderately. The digital reality is affecting everyone. Keeping up with the latest developments is therefore on the current and future agendas of companies of different sizes and in various sectors.

Operating environment

Solteq primarily operates with selected solutions in chosen sectors of the Nordic IT services and software market. The markets offer good prospects for positive business development – despite the general uncertainty created by the COVID-19 pandemic. A market research company IDC forecasts that companies are on their way to meet their ‘digital destiny’. IDC estimates that 65 percent of global GDP will be digitized by 2022, as most products and services are based on a delivery model or require digital augmentation to remain competitive. IDC forecasts that global IT spending will reach 6,800 billion dollars by 2023. IDC estimates that by 2023 up to 65 percent of European companies will modernize their core business operations using cloud services.

The digital services and software products provided by the company comprehensively cover trends that are expected to strengthen in the future. According to a recent report by Gartner, IT decision-makers in the Nordics are expected to increase their investments during 2021 particularly in terms of data utilization, cloud technology, the development of digital business, process automation, artificial intelligence, and machine learning.

Solteq offers industry-specific solutions for trade, manufacturing industry, car retail, utilities sector, hotel and restaurant business, and public sector. The company has a significant competitive edge based on long-term experience of the industry-specific needs. Demand continues to grow in these sectors for solutions that digitalize core operations and make use of artificial intelligence, data, automation and seamless omnichannel systems. The negative impact of the COVID-19 pandemic is expected to occur during the first half of the year, affecting customer projects in the travel, restaurant, and leisure sectors.

The digitalizing energy sector is one of the company’s key drivers for growth in the Nordics. Demand for digital expert services and solutions is increased by statutory obligations to renew data systems. Gartner forecasts that short-term IT investments will grow by 4.8 percent in the utilities sector in Western Europe. Solteq specializes in software and IT services in the industry, which has quickly raised the company into a strong market position. Solteq has also expanded its Utilities sector operations to Sweden, where the energy sector is awaiting the development and confirmation of a more detailed timetable for a centralized information-exchange system project, similar to Datahub in Finland.

The company will continue to invest in its own product development, in which the autonomous robotics solutions for retail trade and indoor logistics play a key role. Gartner predicts that autonomous solutions will soon become more common in a wide range of industries. The market research company forecasts growing use of autonomous robotics in US retail stores, from the current level of around one percent to 60 percent by 2025. Research company ROBO Global expects fast adoption of autonomous robotics solutions by logistics and warehouse centers due to the transformation of delivery chains and the rapid growth in online shopping. Solutions making use of automation and robotics are also expected to become more common in construction as well: Research and consulting company MarketsandMarkets expects demand to increase at an annual rate of 10 percent, while investments will reach USD 121.5 billion by 2024.

IT sector players are expected to provide more agile and scalable delivery models. Solteq meets expectations with an organization that makes use of agile methods and by focusing on the as-a-Service (aaS) model and its own software products.

Revenue and profit

January–March

Revenue increased by 10.9 percent compared to the previous year and totaled EUR 17,383 thousand (15,674). Operating profit for the review period was EUR 2,232 thousand (716). Comparable operating profit was EUR 2,296 thousand (880). Profit before taxes was EUR 1,838 thousand (108) and the profit for the financial period was EUR 1,456 thousand (40).

Solteq Digital

January–March

The Solteq Digital segment's revenue remained almost at the level of the comparison period, and the segment's profitability improved significantly. The segment's revenue was EUR 11,174 thousand (11,336), a decrease of 1.4 percent from the comparison period. The segment's EBITDA increased by 62.3 percent, to EUR 1,946 thousand (1,199). The segment's operating profit was EUR 1,328 thousand (539), up by 146.2 percent from the comparison period.

The segment's business consists of three solution areas: digital business and commercial solutions, data-driven solutions, and business solutions. Of the segment's revenue, 42.0 percent was derived from digital business and commercial solutions, 22.2 percent from data-driven solutions, and 35.9 percent from business solutions.

The segment's growth was slowed by the COVID-19 pandemic negative impact on the travel, service, and leisure sectors. In addition, major customer projects were completed, while the launch of new customer projects was delayed. Demand remained strong in key business areas such as digital operations and commerce, as well as information management and analytics services.

Business is expected to develop steadily during the current quarter.

Solteq Digital	1-3/2021	1-3/2020	Change %	1-12/2020
Revenue, TEUR	11,174	11,336	-1.4	41,610
Comparable EBITDA, TEUR	1,984	1,313	51.1	6,236
Comparable EBITDA, %	17.8	11.6		15.0
EBITDA, TEUR	1,946	1,199	62.3	5,856
EBITDA, %	17.4	10.6		14.1
Comparable operating profit, TEUR	1,366	654	109.0	3,499
Comparable operating profit, %	12.2	5.8		8.4
Operating profit, TEUR	1,328	539	146.2	3,119
Operating profit, %	11.9	4.8		7.5

Solteq Software

January–March

The first quarter for the Solteq Software segment was a time of strong growth. Solteq Digital's revenue was EUR 6,209 thousand (4,338), up by 43.1 percent. During the review period, EBITDA was EUR 1,545 thousand (676), an increase of 128.4 percent on the comparison period. Operating profit amounted to EUR 904 thousand (177), an increase of 411.0 percent on the comparison period.

The segment's business primarily consists of the Utilities business and the Retail sector's software and services. The Utilities business contributed 55.7 percent and the Retail business 37.4 percent to the segment's revenue. The COVID-19 pandemic decelerated new business efforts of Retail solutions within the travel, restaurant, and leisure sectors.

The offering of the Utilities business expanded to consulting and professional services with the business transfer agreement with Partiture Oy on March 1, 2021. The debt-free purchase price of the business transfer agreement was EUR 2,350 thousand. The Solteq Utilities business area was organized into two parallel units: Solteq Utilities Consulting provides business strategic and data-driven expert services, and Solteq Utilities focuses on solutions utilizing the company's own software products. As a result of the business transfer agreement, 16 experts transferred to Solteq from Partiture Oy. The Utilities sector is one of Solteq Software's key growth drivers in the Nordic market, where digital disruption has put IT solutions and related services at the heart of the strategy for utilities companies.

The first quarter was in line with expectations for the software and services of the Retail sector business area. The company's in-depth industry expertise has ensured the development of service-based applications that comprehensively meet digital ecosystem needs in the specialized retail sector. In particular, the omnichannel business features of the solutions, as well as cloud-based, versatile integration capabilities and open interfaces, create a significant competitive advantage for Solteq Software. During the review period, delivery agreements were also signed for the first international customer projects in the Retail business area.

In autonomous robotics, the focus was on implementing the first commercial pilot project for Solteq Retail Robot in collaboration with a Finnish retail chain. Preparations for a pilot project featuring Solteq Indoor Logistics Robot were also made in the first quarter. The project involves testing the benefits of automated internal logistics in a hospital environment. The company will continue to investigate the possibility of incorporating the Solteq Robotics business area.

Recurring revenue accounted for 29.1 percent of the segment's revenue. This was lower than the company's previous estimates, due to high amount of expert work related to delivery projects in the Utilities business. Recurring revenue consists of software licensing, maintenance, and support fees. The company aims to increase recurring revenue to account for more than 50 percent of the revenue within the next three years.

During the review period, Solteq invested EUR 719 thousand in product development. Product development investments are estimated to be approximately EUR 2,500 thousand for the current year. As the company's own products are commercialized, the company's annual product development investments will account for 10 to 15 percent of the Software segment's revenue.

The business outlook for Solteq Software is expected to remain positive.

Solteq Software	1-3/2021	1-3/2020	Change %	1-12/2020
Revenue, TEUR	6,209	4,338	43.1	18,842
Comparable EBITDA, TEUR	1,571	726	116.3	4,574
Comparable EBITDA, %	25.3	16.7		24.3
EBITDA, TEUR	1,545	676	128.4	4,524
EBITDA, %	24.9	15.6		24.0
Comparable operating profit, TEUR	930	227	310.1	2,281
Comparable operating profit, %	15.0	5.2		12.1
Operating profit, TEUR	904	177	411.0	2,231
Operating profit, %	14.6	4.1		11.8

Balance sheet and financing

Total assets amounted to EUR 79,134 thousand (78,709). Liquid assets totaled EUR 5,923 thousand (8,400). The company has a standby credit limit of EUR 4,000 thousand, which at the end of the review period was unused. At the end of the comparison period, EUR 1,000 thousand of the standby credit limit was in use. The company also has a bank account credit limit of EUR 2,000 thousand which was unused at the end of both the review and the comparison period. At the end of the review period, the company had a EUR 1,463 thousand Business Finland loan for product development (1,205).

The Group's interest-bearing liabilities were EUR 31,007 thousand (34,444).

Solteq Group's equity ratio was 32.4 percent (31.5).

On October 1, 2020, Solteq issued a new fixed rate bond with a nominal value of EUR 23.0 million. The proceeds from the bond were used to redeem an old bond, issued on July 1, 2015. Annual interest of 6.0 percent will be paid on the new bond, and it will mature on October 1, 2024. The new bond can be redeemed before its final maturity date. With the new bond, the company secured its long-term financing and going concern.

The terms of the bond include financial covenants concerning the distribution of funds and incurring financial indebtedness other than permitted under the terms of the Bond (Incurrence Covenant). The covenants 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 4:1.

The maturity distribution of financial liabilities is presented in the tables section of this Interim Report.

Distribution of assets

The Annual General Meeting held on March 30, 2021 resolved that a dividend of EUR 0.15 per share will be paid based on the balance sheet that was adopted for the financial year 2020. The dividend, totaling EUR 2,909 thousand, was paid to shareholders after the review period, on April 12, 2021.

Investment, research, and development

The net investments during the review period were EUR 3,364 thousand (2,125). Of the net investments, EUR 2,350 thousand were related to the business transfer agreement with Partiture Oy on March 1, 2021. During the comparison period, no acquisitions were performed. EUR 719 thousand (1,049) of the net investments were capitalized development costs relating to continued further development of the existing software products and the development of new software products. Other investments were EUR 295 thousand (1,076). Other investments include the net change in rented premises and equipment, totaling EUR 249 thousand (867).

Capitalized development costs included EUR 426 thousand (706) of staff costs.

Personnel

The number of permanent employees at the end of the review period was 627 (597).

Key figures for Group's personnel

	1-3/2021	1-3/2020	1-12/2020
Average number of personnel during period	613	587	593
Employee benefit expenses, TEUR	8,650	8,191	31,379

Related party transactions

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

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

Shares, shareholders, and treasury shares

Solteq Plc's equity on March 31, 2021 was EUR 1,009,154.17 which was represented by 19,396,501 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.

On March 8, 2021 Solteq Plc directed a share issue, totaling to 89,974 shares. The share issue was related to the business transfer agreement signed with Partiture Oy during the review period. The new shares were registered into Trade Register on the March 18, 2021 and were publicly traded as of March 19, 2021. After the changes, the total number of shares is 19,396,501. The issued shares represent around 0.5 percent of the company's shares and votes. The subscription price was recorded into the invested unrestricted equity reserve of the company.

Exchange and rate

During the review period, the exchange of Solteq's shares in the Nasdaq Helsinki Ltd was 4.6 million shares (0.7) and EUR 20.5 million (0.9). The highest rate during the review period was EUR 6.55 and lowest rate EUR 2.56. The weighted average rate of the share was EUR 4.44 and end rate EUR 5.35. The market value of the company's shares at the end of the review period totaled EUR 103.8 million (19.3).

Ownership

At the end of the review period, Solteq had a total of 4,746 shareholders (2,220). Solteq's 10 largest shareholders owned 13,229 thousand shares i.e. they owned 68.2 percent of the company's shares and votes. Solteq Plc's members of the Board of Directors and CEO owned 592 thousand shares on March 31, 2021 (592).

Annual General Meeting

Solteq's Annual General Meeting was held on March 10, 2021. The Annual General Meeting approved the financial statement for period January 1–December 31, 2020 and discharged the CEO and the Board of Directors from liability.

In accordance with the proposal of the Board of Directors, the Annual General Meeting resolved that dividend of EUR 0.15 per share is paid for the financial period ended on December 31, 2020.

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, Section 1 of the Finnish Companies Act as follows:

The maximum total amount of shares or other rights is 3,000,000. The authorization includes the right to give new shares and special rights or convey the company's own shares. The authorization includes a right to deviate from the shareholders' pre-emptive right of subscription if there is a weighty financial reason for the company, e.g. to improve the capital structure, to execute business acquisitions and other business improvement arrangements or to implement the company's incentive schemes. The authorization includes that the Board of Directors may decide on all other terms concerning the share issue and the granting of special rights, including the subscription price and the payment of the subscription price in cash or in whole or in part by other means (subscription in kind) or by using a claim on the subscriber to offset the subscription price and to record it in the company's balance sheet.

The authorization is effective until the next Annual General Meeting, however, no longer than until April 30, 2022 (April 30, 2022 included).

In addition, the Annual General Meeting authorized the Board of Directors 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 (directed) 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, 2022 (April 30, 2022 included).

Board of Directors and auditors

The Annual General Meeting on March 30, 2021 decided that the Board of Directors includes six members. Aarne Aktan, Lotta Kopra, Markku Pietilä, Panu Porkka, Katarina Segerståhl and Mika Uotila will continue on the Board.

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

In addition, Aarne Aktan, Katarina Segerståhl 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 Petri Sammalisto, APA, acting as the chief auditor.

Other events during the review period

On March 1, Solteq Plc announced the acquisition of Partiture Oy's professional services business, specialized in the utilities sector.

On March 18, Solteq Plc announced that the new shares from the share issue to Partiture Oy have been registered into Trade Register.

Events after the review period

On April 26, Solteq Plc announced that Sentica Partners Oy plans to reduce its ownership in Solteq Plc. According to the press release, no decision has yet been made on the method or the date of the possible share sale.

On April 27, Solteq Plc announced that the company revises upwards its operating profit guidance for 2021 due to better-than-expected performance during the beginning of the year. New guidance for 2021 states that Solteq Group's revenue is expected to grow clearly and operating profit to improve clearly.

Risks and uncertainties

Material uncertainties and near-term risks consist of the direct and indirect impacts of the COVID-19 pandemic on the company's business and financial position.

Other key uncertainties and risks are related to the management of changes in financing and balance sheet structures, the timing and pricing of business deals that are the basis for revenue, changes in the level of costs, developing company's own products and their commercialization, and the company's capability to manage extensive customer contracts and deliveries.

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

Impact of the COVID-19 pandemic on financial reporting

The company is continuously monitoring the COVID-19 pandemic situation, assessing its impact on the company's operations, strategy and realization of targets, performance, financial position, and cash flows. Based on information currently available, the COVID-19 pandemic is not expected to have any long-term impact on the company's financial performance.

Based on the impairment tests of goodwill and capitalized development costs were performed during the last quarter of the financial year 2020. No need for impairment was identified, but a clear margin was left for each tested unit and project. No impairment losses were recognized in 2020 related to the goodwill of the group, merger losses of the parent company or development costs. 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 2021 and operating result forecasts for the subsequent four years. The company's management has assessed the impairment tests of goodwill and capitalized development costs included in the 2020 financial statements in relation to the current financial period's performance and long-term expectations. Based on this, the company's management has not identified the need for additional testing of goodwill or development costs during the reporting period. The pandemic has had no effect on the valuation of the assets.

The company has not historically incurred material credit losses, so the probability of such losses is low, and provisions for them have been small. Considering the situation, the company prepared for any increased credit losses due to the COVID-19 pandemic in the first quarter of last year by increasing the credit loss provisions in the balance sheet. No significant changes have yet been observed in customers' payment behavior. The company is following the situation closely.

The company has also assessed the valuation of its other asset items and discovered that the pandemic has had no effect on their valuation so far.

Following the financial arrangements carried out in the final quarter of the last year, the company has a EUR 23.0 bond that matures on October 1, 2024. The company also has a EUR 4,000 thousand standby credit limit and a EUR 2,000 thousand bank account credit limit, both unused at the end of the review period on March 31, 2021. The company's operations are on a solid foundation and it is the management's view that the company has the capacity to overcome the COVID-19 pandemic's negative impacts on its business operations.

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 2020. The new IFRS standards, taken into use on January 1, 2021, do not have a significant impact in the Group's Interim Report. The information presented in the Interim Report has not been audited.

Revenue from contracts with customers

Due to the change in the segment structure that took place at the beginning of the previous financial year, the company analyzed the sources of income in more detail and has decided to specify the reporting of the revenue from contracts with customers in its financial reporting.

The revenue of the Solteq Digital mainly comprises of professional services. These services include consulting, implementation of systems as projects, continuous development services, and maintenance. The reporting of revenue from contracts with customers in Solteq Digital will remain nearly the same. In the future, the revenue will be classified in either services or software and hardware sales. The services mainly consist of time and material based consulting, support and development services provided by the company, as well as projects. The company recognizes revenue over time as the customer receives the benefits of the service. In addition, Solteq Digital generates revenue of software and hardware sales, consisting mainly of third-party software license and maintenance fees.

Solteq Software's business is based on the company's own products. The segment's revenue is mainly derived from license and maintenance fees for Solteq's own products, and related services such as integrations and implementation projects. Solteq Software's revenue from contracts with customers is classified into services, recurring revenue/SaaS, and non-recurring license and hardware sales. The services mainly consist of time and material based consulting as well as support and development services and projects provided by the company, for which the customer receives the benefits as the service is provided. Recurring revenue/SaaS includes sales related to Solteq's own products where the amount charged is not dependent on the amount of work performed and the charge is recurring or deferred over the contract period. In addition, the contract needs to be valid until further notice or the contract period is minimum 12 months in order to be classified as recurring Revenue/SaaS. Non-recurring license and hardware sales include license fees related to the company's own software and directly related products and hardware. The revenue is recognized as point in time.

The comparable data for the financial year 2020 is presented in the tables at the end of this Interim Report.

Financial information

Consolidated statement of comprehensive income

TEUR	1-3/2021	1-3/2020	1-12/2020
Revenue	17,383	15,674	60,452
Other income	47	22	279
Materials and services	-1,948	-1,671	-5,936
Employee benefit expenses	-10,189	-9,520	-36,891
Other expenses	-1,802	-2,631	-7,523
Depreciations and impairments	-1,258	-1,158	-5,030
Operating profit	2,232	716	5,350
Financial income and expenses	-394	-608	-2,613
Profit before taxes	1,838	108	2,737
Income taxes	-382	-68	-757
Profit for the financial period	1,456	40	1,980
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Currency translation differences	-44	-80	1
Other comprehensive income, net of tax	-44	-80	1
Total comprehensive income	1,412	-40	1,981
Total profit for the period attributable to owners of the parent	1,456	40	1,980
Total comprehensive income attributable to owners of the parent	1,412	-40	1,981
Earnings per share, EUR (undiluted)	0.08	0.00	0.10
Earnings per share, EUR (diluted)	0.08	0.00	0.10

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

Consolidated statement of financial position

TEUR	31 Mar 2021	31 Mar 2020	31 Dec 2020
Assets			
Non-current assets			
Tangible assets	384	596	433
Right-of-use assets	6,542	7,520	6,933
Intangible assets			
Goodwill	40,918	38,776	38,949
Other intangible assets	11,911	10,929	11,277
Other investments	438	480	441
Other long-term receivables	157	198	158
Non-current assets total	60,349	58,499	58,190
Current assets			
Inventories	64	231	74
Trade and other receivables	12,799	11,579	11,540
Cash and cash equivalents	5,923	8,400	4,877
Current assets total	18,785	20,210	16,492
Total assets	79,134	78,709	74,681
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	13,260	12,910	12,910
Retained earnings	11,017	10,494	12,515
Total equity	25,361	24,488	26,509
Non-current liabilities			
Deferred tax liabilities	635	578	567
Financial liabilities	24,158	1,205	24,138
Lease liabilities	4,494	5,338	4,830
Non-current liabilities total	29,287	7,121	29,536
Current liabilities			
Financial liabilities		25,479	
Trade and other payables	22,080	19,149	16,173
Provisions	51	51	61
Lease liabilities	2,356	2,422	2,402
Current liabilities total	24,487	47,100	18,636
Total equity and liabilities	79,134	78,709	74,681

Consolidated cash flow statement

TEUR	1-3/2021	1-3/2020	1-12/2020
Cash flow from operating activities			
Profit for the financial period	1,456	40	1,980
Adjustments for operating profit	1,792	1,582	7,574
Changes in working capital	310	1,903	-60
Interests paid	-84	-114	-3,218
Interests received	4	4	25
Net cash from operating activities	3,478	3,415	6,302
Cash flow from investing activities			
Acquisition of subsidiaries and businesses	-1,000		
Disposal of other shares and holdings			38
Divested businesses		4,071	4,071
Investments in tangible and intangible assets	-822	-1,135	-3,477
Net cash used in investing activities	-1,822	2,936	631
Cash flow from financing activities			
Long-term loans, increase		5	23,262
Short-term loans, decrease		-1,000	-26,500
Payment of finance lease liabilities	-611	-604	-2,465
Net cash used in financing activities	-611	-1,599	-5,704
Changes in cash and cash equivalents	1,045	4,752	1,230
Cash and cash equivalents at the beginning of period	4,877	3,648	3,648
Cash and cash equivalents at the end of period	5,923	8,400	4,877

Consolidated statement of changes in equity

TEUR	Share capital	Share premium account	Invested unrestricted equity reserve	Currency translation difference	Retained earnings	Total
Equity 1 Jan 2020	1,009	75	12,910	-100	10,633	24,528
Profit for the financial period					40	40
Other items on comprehensive income				-80		-80
Total comprehensive income	0	0	0	-80	40	-40
Equity 31 Mar 2020	1,009	75	12,910	-180	10,673	24,488
Equity 1 Jan 2021	1,009	75	12,910	-99	12,613	26,509
Profit for the financial period					1,456	1,456
Other items on comprehensive income				-44		-44
Total comprehensive income	0	0	0	-44	1,456	1,412
Transactions with owners						
Dividends paid					-2,909	-2,909
Share issue			350			350
Transactions with owners	0	0	350	0	-2,909	-2,559
Equity 31 Mar 2021	1,009	75	13,260	-143	11,160	25,361

Revenue from contracts with customers

Solteq Digital

TEUR	1-3/2021	1-3/2020	1-12/2020
Services	10,390	10,583	38,663
Software and hardware sales	784	753	2,947
Total	11,174	11,336	41,610

Solteq Software

TEUR	1-3/2021	1-3/2020	1-12/2020
Services	4,123	2,609	11,739
Recurring revenue / SaaS	1,809	1,658	6,738
Non-recurring sales	277	71	365
Total	6,209	4,338	18,842
Group total	17,383	15,674	60,452

Comparison figures for 2020

Solteq Digital

TEUR	1-3/2020	4-6/2020	7-9/2020	10-12/2020	1-12/2020
Services	10,583	9,832	8,336	9,912	38,663
Software and hardware sales	753	678	822	693	2,947
Total	11,336	10,510	9,158	10,605	41,610

Solteq Software

TEUR	1-3/2020	4-6/2020	7-9/2020	10-12/2020	1-12/2020
Services	2,609	2,820	2,418	3,892	11,739
Recurring revenue / SaaS	1,658	1,723	1,652	1,705	6,738
Non-recurring sales	71	27	61	206	365
Total	4,338	4,570	4,131	5,803	18,842
Group total	15,674	15,080	13,289	16,408	60,452

Total investments

TEUR	1-3/2021	1-3/2020	1-12/2020
Group total	3,364	2,125	5,456

Maturity of financial liabilities

	Book value	Contractual cash flows	1-12 months	13-24 months	25-36 months	Later
TEUR						
Financial liabilities, 31 Mar 2021						
Bond	22,695	28,532	1,383	1,383	1,383	24,383
Loans from financial institutions	1,463	1,537	12	95	414	1,017
Lease liabilities	6,850	7,030	2,577	1,802	1,510	1,142
Trade payables	3,422	3,422	3,422			
Financial liabilities total	34,429	40,522	7,394	3,279	3,307	26,542
Financial assets, 31 Mar 2021						
Trade receivables	11,387					
Cash and cash equivalents	5,923					
Financial assets total	17,310					

The company has a standby credit limit of EUR 4,000 thousand and a bank account credit limit of EUR 2,000 thousand, which at the end of the review period were unused.

Fair value of financial assets and liabilities

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

Liabilities

TEUR	31 Mar 2021	31 Mar 2020	31 Dec 2020
Business mortgages	10,000	10,000	10,000
Off-balance sheet lease liabilities	1,512	1,135	1,412

Related party transactions

TEUR	1-3/2021	1-3/2020	1-12/2020
Purchases		2	3
Total	0	2	3

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

Major shareholders March 31, 2021

		Shares and votes	
		number	%
1.	Sentica Buyout III Ky	4,621,244	23.83
2.	Profiz Business Solution Oy	2,060,769	10.62
3.	Elo Mutual Pension Insurance Company	2,000,000	10.31
4.	Saadetdin Ali	1,400,000	7.22
5.	Varma Mutual Pension Insurance Company	1,245,597	6.42
6.	Aalto Seppo Tapio	730,000	3.76
7.	Roininen Matti Juhani	400,000	2.06
8.	Väätäinen Olli Pekka	400,000	2.06
9.	Lamy Oy	190,993	0.98
10.	Sentica Buyout III Co-Investment Ky	180,049	0.93
10 largest shareholders total		13,228,652	68.20
Total of nominee-registered		843,280	4.35
Others		5,324,569	27.45
Total		19,396,501	100.00

Financial performance indicators

	1-3/2021	1-3/2020	1-12/2020
Revenue, MEUR	17.4	15.7	60.5
Change in revenue, %	10.9	5.0	3.7
Operating profit, MEUR	2.2	0.7	5.4
% of revenue	12.8	4.6	8.9
Profit before taxes, MEUR	1.8	0.1	2.7
% of revenue	10.6	0.7	4.5
Net investments in non-current assets, MEUR	3.4	2.1	5.5
Equity ratio, %	32.4	31.5	35.5
Net debt, MEUR	25.1	26.0	26.5
Gearing, %	98.9	106.4	99.9
Return on equity, rolling 12 months, %	13.6	8.6	7.8
Return on investment, rolling 12 months, %	11.9	8.6	9.1
Personnel at end of period	627	597	597
Personnel average for period	613	587	593

Key indicators per share

	1-3/2021	1-3/2020	1-12/2020
Earnings per share, EUR (undiluted)	0.08	0.00	0.10
Earnings per share, EUR (diluted)	0.08	0.00	0.10
Equity per share, EUR	1.31	1.27	1.37

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

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

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

Items affecting comparability and alternative performance measures

Items affecting comparability:

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

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

Comparable operating profit (EBIT)

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

TEUR	1-3/2021	1-3/2020	1-12/2020
Operating profit (EBIT)	2,232	716	5,350
Items affecting comparability			
Business acquisition costs	64		
Non-recurring severance packages		164	430
Total items affecting comparability	64	164	430
Comparable operating profit (EBIT)	2,296	880	5,780

Calculation of financial ratios

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

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

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

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

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

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

Equity per share: $\text{equity} / \text{number of shares}$

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

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

Share of recurring revenue of the total revenue of Solteq Software segment: $\text{recurring revenue} / \text{SaaS} / \text{total revenue of Solteq Software segment}$

Business combinations

Solteq Plc acquired Partiture Oy's professional services business, specializing in utilities sector. The agreement was effective as of March 1, 2021. The utilities sector is one of the Solteq's key drivers for growth in the Nordic market. As a result of the business transfer agreement, 16 experts transferred to Solteq. The debt-free purchase price of the transfer was EUR 2.35 million.

Acquired businesses

	Acquisition date
TEUR	1 Mar 2021
Intangible assets	448
Total assets	448
Deferred tax liabilities	90
Total liabilities	90
Net assets acquired	359
Total consideration	2,350
Goodwill	1,991

EUR 350 thousand of the business acquisition purchase price was paid for with new Solteq shares, based on the authorization given to the Board, by the Annual General Meeting on June 10, 2020 and the rest of the purchase price with existing cash funds. EUR 1,000 thousand of the purchase price was paid at the time of signing the agreement, and the rest will be paid on December 15, 2021.

There were no acquisitions during the comparison period.

Financial reporting in 2021

Solteq Plc's financial information bulletins in 2021 have been scheduled as follows:

- Half Year Report 1-6/2021 Thursday August 12, 2021 at 8.00 am
- Interim Report 1-9/2021 Thursday October 28, 2021 at 8.00 am

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

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