

SOLTEQ



Interim Report

JANUARY 1–SEPTEMBER 30, 2021

Solteq Plc Interim Report January 1–September 30, 2021

Solteq continued its growth, driven by the Utilities business

July–September

- Revenue totaled EUR 14.9 million (13.3) and increased by 12.2 percent
- EBITDA was EUR 2.4 million (2.7) and EBITDA percent was 16.2 (20.4)
- Operating profit was EUR 1.1 million (1.4) and operating profit percent was 7.6 (10.3)
- Earnings per share was EUR 0.03 (0.03)

January–September

- Revenue totaled EUR 50.8 million (44.0) and increased by 15.3 percent
- EBITDA was EUR 9.6 million (7.3) and EBITDA percent was 19.0 (16.6)
- Operating profit was EUR 5.8 million (3.6) and operating profit percent was 11.4 (8.1)
- Earnings per share was EUR 0.18 (0.07)
- Solteq Group's equity ratio was 36.8 percent (35.0)
- Net cash flow from operating activities was EUR 7.4 million (4.2)

Key figures

	7-9/2021	7-9/2020	Change %	1-9/2021	1-9/2020	Change %	1-12/2020	Rolling 12mos
Revenue, TEUR	14,909	13,289	12.2	50,779	44,044	15.3	60,452	67,187
EBITDA, TEUR	2,422	2,715	-10.8	9,638	7,300	32.0	10,380	12,719
Comparable EBITDA, TEUR	2,502	2,715	-7.8	9,824	7,490	31.2	10,810	13,144
Operating profit, TEUR	1,130	1,365	-17.2	5,802	3,563	62.8	5,350	7,589
Comparable operating profit, TEUR	1,210	1,365	-11.3	5,988	3,753	59.6	5,780	8,015
Profit for the financial period, TEUR	490	539	-9.2	3,496	1,358	157.5	1,980	4,119
Earnings per share, EUR	0.03	0.03	-10.1	0.18	0.07	156.8	0.10	0.21
Operating profit, %	7.6	10.3		11.4	8.1		8.9	11.3
Comparable operating profit, %	8.1	10.3		11.8	8.5		9.6	11.9
Equity ratio, %				36.8	35.0		35.5	36.0

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 continued its growth in the third quarter. The Group's revenue was EUR 14.9 million, up by 12.2 percent from the comparison period. The growth was mainly organic. Revenue from foreign subsidiaries increased relative to the comparison period and accounted for 22.6 percent of the Group's revenue. Solteq Software segment accounted for just over one-third of the Group's revenue, and Solteq Digital segment for just under two-thirds. The growth was fueled by Solteq Software's Utilities business and the market demand for Solteq Digital's ecommerce solutions.

The Group's EBITDA was EUR 2.4 million, which decreased by 10.8 percent relative to the comparison period. The Group's operating profit decreased by 17.2 percent from the comparison period and was EUR 1.1 million. The result of the third quarter was affected by two significant factors: The global component shortage caused unforeseen delays in customer projects. Due to challenges with hardware supply, two large-scale retail customer deliveries had to be postponed from the review period to the first half of 2022. The shortage of IT experts increased subcontracting costs relative to the comparison period.

Solteq Digital and Solteq Software segments continued to grow during the third quarter. Relative to the comparison period, the revenue in Solteq Digital increased by 4.3 percent and in Solteq Software by 29.7 percent. In Solteq Software, the EBITDA decreased by 17.2 percent and the operating profit by 55.3 percent relative to the comparison period. In Solteq Digital, the EBITDA decreased by 6.0 percent, but the operating profit increased by 8.1 percent relative to the comparison period.

As the operating environment continues to return to normal, the business outlook for Solteq Group and the demand in the key solution areas of the company remain stable both domestically as well as internationally. The digital future affects everyone. Keeping up with the latest developments is therefore on the current and future agendas of companies of different sizes and in various sectors.

Nordic IT market's outlook within the key industries for Solteq

Solteq aims to meet the changing needs of industries, such as the Nordic utilities, retail, and service sectors, through its product development and expert services. The selected industries need more efficient and smarter core functions due to the rapidly progressing digital disruption. Particularly, the retail and utilities sectors have increased in importance for Solteq's business. These industry-specific software solutions and expert services account for over three quarters of the group-level revenue.

Solteq has two business segments: Solteq Software, which focuses on product development and software solutions, and Solteq Digital, which provides IT expert services. The company's software products and expert services comprehensively cover the trends which, according to recent studies, will be the key IT investment areas for Nordic decision-makers in the coming years.

The evolving operating environment creates demand for software solutions in the utilities sector

The utilities sector is one of the key drivers of growth for Solteq in the Nordic market. Demand for industry-specific software solutions is accelerated by consumers' increased interest in the origin and the production of energy, the societal changes in the industry's regulation, and the potential of more streamlined business operations created by the developing technology.

Solteq Utilities business consists of software solutions and expert services. The offering takes comprehensively into account the Nordic and EU level regulatory changes in the utilities sector. These changes include for example nationally driven datahub projects for centralized information exchange and the unification of operating models regarding measurement practices and the opening of electricity markets. The company estimates that its long-term industry expertise, together with its industry-specific offering, meets the requirements of the changing operating environment and creates a clear competitive advantage in the Nordic market.

The research and advisory company Gartner forecasts that during 2021 the Nordic utilities sector will invest over EUR 900 million in software solutions and approximately EUR 1.5 billion in IT expert services. According to Gartner, investments in digitalization in the sector will continue to grow in the Nordic countries, reaching nearly EUR 1.5 billion in software solutions and approximately EUR 2.1 billion in IT expert services by 2025.

The retail and service sectors look for unified commerce solutions

The compatibility and efficiency of IT architecture are challenged by increasingly multidimensional customer journeys, the increased number of online transactions accelerated by the COVID-19 pandemic, and the multiple information systems linked to the various stages of trading. The retail and service sectors are transformed – not only by the quickly advancing digital disruption – but also by the changing consumer behavior and needs. Customers in digital channels already have high expectations in terms of fluency, personalized service, and the experience. According to Gartner, in 2021 the greatest additional investments in the retail sector will focus on business intelligence and analytics and the development of online stores.

As a result of long-term product development, Solteq offers cloud-based point-of-sale solutions to meet the needs of the retail and service sectors. These solutions simplify business processes and data management while creating a coherent and integrated IT architecture. Solteq's expert services focusing on ecommerce, data, and analytics meet well with the development needs related to the digital customer experience.

Gartner estimates that during 2021, the Nordic retail and service sectors will invest over EUR 500 million in software solutions, and approximately EUR 1.8 billion in IT expert services. As the digital disruption continues to advance and consumer behavior continues to evolve, investment needs in the Nordics will increase by 2025 to about EUR 900 million in software solutions, and to around EUR 2.9 billion in IT expert services.

The shortage of talent and electronic components challenges the IT sector

The talent shortage strongly affects the IT sector around the world. Globally, millions of job vacancies are threatened with being left unfilled due to a lack of needed talent. In the IT sector, the demand is particularly high for experts in e.g., cloud technology, artificial intelligence, data, system development and architecture, and automation. The talent shortage is expected to significantly slow down the realization of the sector's full growth potential. The business impact of the challenging labor market is tackled with the company's efforts in recruitment, employer branding, and employee experience.

The growth of the IT industry is also held up by the global component shortage, which causes significant delays in the delivery of hardware and equipment needed for IT projects. Gartner estimates that the component shortage will continue until the second quarter of 2022.

Revenue and profit

July–September

Revenue for third quarter increased by 12.2 percent compared to the previous year and totaled EUR 14,909 thousand (13,289). Operating profit for the review period was EUR 1,130 thousand (1,365). Comparable operating profit was EUR 1,210 thousand (1,365). Profit before taxes was EUR 680 thousand (804) and the profit for the financial period was EUR 490 thousand (539).

January–September

Revenue increased by 15.3 percent compared to the previous year and totaled EUR 50,779 thousand (44,044). Operating profit for the review period was EUR 5,802 thousand (3,563). Comparable operating profit was EUR 5,988 thousand (3,753). Profit before taxes was EUR 4,507 thousand (1,908) and the profit for the financial period was EUR 3,496 thousand (1,358).

Solteq Digital

July–September

Solteq Digital performed in a steady manner during the third quarter. The segment's revenue was EUR 9,549 thousand (9,158), an increase of 4.3 percent from the comparison period. The segment's EBITDA decreased by 6.0 percent, to EUR 1,460 thousand (1,554). The segment's operating profit was EUR 886 thousand (820), up by 8.1 percent from the comparison period.

The segment's business consists of three solution areas: digital business and commerce solutions, data-driven solutions, and business solutions. Of the segment's revenue, 47.9 percent was derived from digital business and commerce solutions, 20.4 percent from data-driven solutions, and 31.7 percent from business solutions.

January–September

The business of Solteq Digital segment developed well during the review period. Specifically, the profitability of the segment improved. Solteq Digital's revenue was EUR 32,602 thousand (31,004), up by 5.2 percent relative to the comparison period. The EBITDA increased by 30.5 percent from the comparison period to EUR 5,872 thousand (4,500). The operating profit was EUR 4,080 thousand (2,439), which was a significant improvement with an increase of 67.3 percent. The business is expected to develop in a steady manner towards the end of the year. However, moving towards a post-pandemic cost structure, together with the global talent and component shortage causes minor uncertainty.

Solteq Digital	7-9/2021	7-9/2020	Change %	1-9/2021	1-9/2020	Change %	1-12/2020
Revenue, TEUR	9,549	9,158	4.3	32,602	31,004	5.2	41,610
Comparable EBITDA, TEUR	1,520	1,554	-2.2	5,969	4,640	28.6	6,236
Comparable EBITDA, %	15.9	17.0		18.3	15.0		15.0
EBITDA, TEUR	1,460	1,554	-6.0	5,872	4,500	30.5	5,856
EBITDA, %	15.3	17.0		18.0	14.5		14.1
Comparable operating profit, TEUR	946	820	15.4	4,178	2,579	62.0	3,499
Comparable operating profit, %	9.9	9.0		12.8	8.3		8.4
Operating profit, TEUR	886	820	8.1	4,080	2,439	67.3	3,119
Operating profit, %	9.3	9.0		12.5	7.9		7.5

Solteq Software

July–September

Solteq Software segment continued to grow during the third quarter. The segment's revenue was EUR 5,360 thousand (4,131), up by 29.7 percent relative to the comparison period. The profitability of the segment decreased, which was due to the postponement of a significant customer delivery to 2022 and an increase in personnel costs and subcontracting. The EBITDA was EUR 961 thousand (1,161), a decrease of 17.2 percent on the comparison period. Operating profit amounted to EUR 244 thousand (545), a decrease of 55.3 percent on the comparison period. Recurring revenue accounted for 37.6 percent of the segment's revenue.

The segment's business primarily consists of the Utilities business and the retail sector's software and services. The Utilities business contributed 54.0 percent and the Retail business 36.8 percent to the segment's revenue.

January–September

The Solteq Software segment performed very well during the review period. The segment's revenue in January-September was EUR 18,176 thousand (13,039), up by 39.4 percent relative to the comparison period. The growth was mainly derived from the Utilities business. The profitability of the segment improved significantly during the review period: The EBITDA was EUR 3,767 thousand (2,800), an increase of 34.6 percent on the comparison period. The operating profit amounted to EUR 1,722 thousand (1,124), an increase of 53.2 percent on the comparison period.

During the review period, the Utilities business expanded to consulting and professional services with the business transfer agreement with Partiture Oy on March 1, 2021. In addition, significant product development efforts were made in the Utilities business to secure internationalization and the capability for large-scale customer projects. Outside the review period, Solteq Plc's Danish subsidiary acquired a management consulting company specialized in the utilities sector. The business acquisition is expected to speed up the market entry for Solteq Utilities in Denmark.

A significant milestone was reached in the product development of the Retail business. An extension introducing an ecommerce application for the retail and service sector was added to an existing product line. Cloud-based technology, versatile integration capabilities, and open interfaces create a significant competitive advantage for Solteq Software.

Important milestones were reached regarding the commercialization of Solteq Robotics solutions during the review period. The first commercial pilot project for Solteq Retail Robot was carried out in collaboration with a Finnish retail chain and moved towards production phase. In addition, a pilot project featuring the benefits of Solteq Indoor Logistics Robot in a hospital environment was successfully carried out. The company will continue to investigate the possibility of incorporating the Solteq Robotics business area and the execution of the possible incorporation plans in the beginning of 2022. In addition, the company is exploring strategic future options for developing the Solteq Robotics business area.

Recurring revenue accounted for 31.5 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 1,999 thousand in product development. The annual product development investments for Solteq Software are estimated to account for 10 to 15 percent of the segment's revenue.

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

Solteq Software	7-9/2021	7-9/2020	Change %	1-9/2021	1-9/2020	Change %	1-12/2020
Revenue, TEUR	5,360	4,131	29.7	18,176	13,039	39.4	18,842
Comparable EBITDA, TEUR	982	1,161	-15.4	3,855	2,850	35.3	4,574
Comparable EBITDA, %	18.3	28.1		21.2	21.9		24.3
EBITDA, TEUR	961	1,161	-17.2	3,767	2,800	34.6	4,524
EBITDA, %	17.9	28.1		20.7	21.5		24.0
Comparable operating profit, TEUR	264	545	-51.5	1,810	1,174	54.2	2,281
Comparable operating profit, %	4.9	13.2		10.0	9.0		12.1
Operating profit, TEUR	244	545	-55.3	1,722	1,124	53.2	2,231
Operating profit, %	4.5	13.2		9.5	8.6		11.8

Balance sheet and financing

Total assets amounted to EUR 74,677 thousand (74,256) at the end of the review period. Liquid assets totaled EUR 4,191 thousand (5,448). The company has a standby credit limit of EUR 4,000 thousand and a bank account credit limit of EUR 2,000 thousand. Both the standby credit limit and the bank account credit limit were unused at the end of the review and comparison period. At the end of the review period, the company had a EUR 1,463 thousand (1,207) Business Finland loan for product development.

The Group's interest-bearing liabilities were EUR 29,931 thousand (33,238).

Solteq Group's equity ratio was 36.8 percent (35.0).

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 on April 12, 2021.

Investment, research, and development

The net investments during the review period were EUR 4,738 thousand (4,737). 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 1,999 thousand (2,330) 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 388 thousand (2,407). Other investments include the net change in rented premises and equipment, totaling EUR 323 thousand (2,083).

Capitalized development costs included EUR 1,491 thousand (1,541) of staff costs.

Personnel

The number of permanent employees at the end of the review period was 645 (593).

Key figures for Group's personnel

	7-9/2021	7-9/2020	1-9/2021	1-9/2020	1-12/2020
Average number of personnel during period			633	592	593
Employee benefit expenses, TEUR	7,161	6,851	24,875	23,102	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 September 30, 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 19.3 million shares (2.2) and EUR 101.2 million (2.8). The highest rate during the review period was EUR 7.16 and lowest rate EUR 2.56. The weighted average rate of the share was EUR 5.26 and end rate EUR 5.18. The market value of the company's shares at the end of the review period totaled EUR 100.5 million (31.7).

Ownership

At the end of the review period, Solteq had a total of 6,996 shareholders (2,404). Solteq's 10 largest shareholders owned 10,313 thousand shares i.e. they owned 53.2 percent of the company's shares and votes. Solteq Plc's members of the Board of Directors and CEO owned 328 thousand (592) shares on September 30, 2021.

Annual General Meeting

Solteq's Annual General Meeting was held on March 30, 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.

Mika Uotila resigned from Solteq Plc's Board of Directors on May 17, 2021, after Sentica Partners Oy sold its ownership in the company. Solteq Plc's Board of Directors will then consist of five members.

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.

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.

On May 12, Solteq Plc announced that Sentica Partners Oy has sold its ownership in Solteq Plc. According to the press release, funds managed by Sentica Partners Oy, Sentica Buyout III Ky and Sentica Buyout III Co-Investment Ky, have sold all of their ownership in Solteq Plc.

On May 17, Solteq Plc announced that Mika Uotila, a member of Solteq Plc's Board of Directors, has announced his resignation from Solteq Plc's Board of Directors. The resignation took effect immediately. Solteq Plc's Board of Directors will then consist of five members.

Events after the review period

On October 1, Solteq Plc announced that CEO Olli Väättäinen has announced his resignation in order to assume a new position outside of Solteq. Väättäinen will continue in his current position as CEO of Solteq until the end of January 2022.

The company's management is not aware of other events of material importance after the review period that might have affected the preparation of the Interim Report.

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. In addition, the global shortage of IT experts and electronic components causes uncertainty.

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.

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 million 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. 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 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 remains nearly the same, and the revenue is 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	7-9/2021	7-9/2020	1-9/2021	1-9/2020	1-12/2020
Revenue	14,909	13,289	50,779	44,044	60,452
Other income	-15	100	93	234	279
Materials and services	-1,876	-1,258	-5,815	-4,333	-5,936
Employee benefit expenses	-8,548	-7,945	-29,495	-26,986	-36,891
Other expenses	-2,048	-1,472	-5,922	-5,659	-7,523
Depreciations and impairments	-1,292	-1,350	-3,837	-3,737	-5,030
Operating profit	1,130	1,365	5,802	3,563	5,350
Financial income and expenses	-450	-561	-1,295	-1,655	-2,613
Profit before taxes	680	804	4,507	1,908	2,737
Income taxes	-190	-265	-1,011	-550	-757
Profit for the financial period	490	539	3,496	1,358	1,980
Other comprehensive income to be reclassified to profit or loss in subsequent periods					
Currency translation differences	-38	-22	-34	-47	1
Other comprehensive income, net of tax	-38	-22	-34	-47	1
Total comprehensive income	451	517	3,462	1,311	1,981
Total profit for the period attributable to owners of the parent	490	539	3,496	1,358	1,980
Total comprehensive income attributable to owners of the parent	451	517	3,462	1,311	1,981
Earnings per share, EUR (undiluted)	0.03	0.03	0.18	0.07	0.10
Earnings per share, EUR (diluted)	0.03	0.03	0.18	0.07	0.10

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

Consolidated statement of financial position

TEUR	30 Sep 2021	30 Sep 2020	31 Dec 2020
Assets			
Non-current assets			
Tangible assets	275	496	433
Right-of-use assets	5,427	7,426	6,933
Intangible assets			
Goodwill	40,926	38,840	38,949
Other intangible assets	11,954	11,190	11,277
Other investments	438	481	441
Other long-term receivables	158	160	158
Non-current assets total	59,178	58,592	58,190
Current assets			
Inventories	62	74	74
Trade and other receivables	11,247	10,141	11,540
Cash and cash equivalents	4,191	5,448	4,877
Current assets total	15,499	15,663	16,492
Total assets	74,677	74,256	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	13,067	11,845	12,515
Total equity	27,411	25,839	26,509
Non-current liabilities			
Deferred tax liabilities	587	488	567
Financial liabilities	24,197	1,207	24,138
Lease liabilities	3,649	5,255	4,830
Non-current liabilities total	28,434	6,950	29,536
Current liabilities			
Financial liabilities		24,309	
Trade and other payables	16,684	14,638	16,173
Provisions	64	53	61
Lease liabilities	2,084	2,467	2,402
Current liabilities total	18,832	41,467	18,636
Total equity and liabilities	74,677	74,256	74,681

Consolidated cash flow statement

TEUR	1-9/2021	1-9/2020	1-12/2020
Cash flow from operating activities			
Profit for the financial period	3,496	1,358	1,980
Adjustments for operating profit	5,319	5,834	7,574
Changes in working capital	-1,136	-1,224	-60
Interests paid	-275	-1,764	-3,218
Interests received	19	28	25
Net cash from operating activities	7,423	4,231	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	-2,380	-2,663	-3,477
Net cash used in investing activities	-3,380	1,408	631
Cash flow from financing activities			
Long-term loans, increase		7	23,262
Short-term loans, decrease		-2,000	-26,500
Payment of finance lease liabilities	-1,821	-1,845	-2,465
Dividend payment	-2,909		
Net cash used in financing activities	-4,730	-3,838	-5,704
Changes in cash and cash equivalents	-687	1,801	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	4,191	5,448	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					1,358	1,358
Other items on comprehensive income				-47		-47
Total comprehensive income	0	0	0	-47	1,358	1,311
Transactions with owners						
Returned dividends					0	0
Transactions with owners	0	0	0	0	0	0
Equity 30 Sep 2020	1,009	75	12,910	-146	11,991	25,839
Equity 1 Jan 2021	1,009	75	12,910	-99	12,613	26,509
Profit for the financial period					3,496	3,496
Other items on comprehensive income				-34		-34
Total comprehensive income	0	0	0	-34	3,496	3,462
Transactions with owners						
Returned dividends					0	0
Dividends paid					-2,909	-2,909
Share issue			350			350
Transactions with owners	0	0	350	0	-2,909	-2,559
Equity 30 Sep 2021	1,009	75	13,260	-133	13,200	27,411

Revenue from contracts with customers

Solteq Digital

TEUR	7-9/2021	7-9/2020	1-9/2021	1-9/2020	1-12/2020
Services	8,934	8,336	30,617	28,751	38,663
Software and hardware sales	614	822	1,985	2,254	2,947
Total	9,549	9,158	32,602	31,004	41,610

Solteq Software

TEUR	7-9/2021	7-9/2020	1-9/2021	1-9/2020	1-12/2020
Services	3,044	2,418	11,466	7,847	11,739
Recurring revenue / SaaS	2,014	1,652	5,723	5,033	6,738
Non-recurring sales	302	61	987	159	365
Total	5,360	4,131	18,176	13,039	18,842
Group total	14,909	13,289	50,779	44,044	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	7-9/2021	7-9/2020	1-9/2021	1-9/2020	1-12/2020
Group total	842	982	4,738	4,737	5,456

Maturity of financial liabilities

	Book value	Contractual cash flows	1-12 months	13-24 months	25-36 months	Later
TEUR						
Financial liabilities, 30 Sep 2021						
Bond	22,735	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	5,733	5,826	2,282	1,638	1,380	526
Trade payables	3,515	3,515	3,515			
Financial liabilities total	33,446	39,411	7,193	3,116	3,176	25,926
Financial assets, 30 Sep 2021						
Trade receivables	9,397					
Cash and cash equivalents	4,191					
Financial assets total	13,587					

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	30 Sep 2021	30 Sep 2020	31 Dec 2020
Business mortgages	10,000	10,000	10,000
Off-balance sheet lease liabilities	1,620	1,388	1,412

Related party transactions

TEUR	7-9/2021	7-9/2020	1-9/2021	1-9/2020	1-12/2020
Purchases				3	3
Total	0	0	0	3	3

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

Major shareholders September 30, 2021

		Shares and votes	
		number	%
1.	Profiz Business Solution Oy	2,060,769	10.62
2.	Elo Mutual Pension Insurance Company	2,000,000	10.31
3.	Ilmarinen Mutual Pension Insurance Company	1,551,293	8.00
4.	Varma Mutual Pension Insurance Company	1,545,597	7.97
5.	Aktia Capital Mutual Fund	770,000	3.97
6.	Saadetdin Ali	657,051	3.39
7.	Aalto Seppo Tapio	615,000	3.17
8.	Säästöpankki Small Cap Mutual Fund	500,000	2.58
9.	Väätäinen Olli Pekka	313,178	1.61
10.	Säästöpankki Itämeri Mutual Fund	300,000	1.55
10 largest shareholders total		10,312,888	53.17
Total of nominee-registered		1,772,921	9.14
Others		7,310,692	37.69
Total		19,396,501	100.00

Financial performance indicators

	7-9/2021	7-9/2020	1-9/2021	1-9/2020	1-12/2020
Revenue, MEUR	14.9	13.3	50.8	44.0	60.5
Change in revenue, %	12.2	2.3	15.3	3.4	3.7
Operating profit, MEUR	1.1	1.4	5.8	3.6	5.4
% of revenue	7.6	10.3	11.4	8.1	8.9
Profit before taxes, MEUR	0.7	0.8	4.5	1.9	2.7
% of revenue	4.6	6.1	8.9	4.3	4.5
Net investments in non-current assets, MEUR	0.8	1.0	4.7	4.7	5.5
Equity ratio, %			36.8	35.0	35.5
Net debt, MEUR			25.7	27.8	26.5
Gearing, %			93.9	107.6	99.9
Return on equity, rolling 12 months, %			15.5	14.1	7.8
Return on investment, rolling 12 months, %			13.3	11.8	9.1
Personnel at end of period			645	593	597
Personnel average for period			633	592	593

Key indicators per share

	7-9/2021	7-9/2020	1-9/2021	1-9/2020	1-12/2020
Earnings per share, EUR (undiluted)	0.03	0.03	0.18	0.07	0.10
Earnings per share, EUR (diluted)	0.03	0.03	0.18	0.07	0.10
Equity per share, EUR			1.41	1.34	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	7-9/2021	7-9/2020	1-9/2021	1-9/2020	1-12/2020
Operating profit (EBIT)	1,130	1,365	5,802	3,563	5,350
Items affecting comparability					
Business acquisition costs			64		
Acquisition of subsidiaries	57		57		
Non-recurring severance packages	23		64	190	430
Total items affecting comparability	80	0	186	190	430
Comparable operating profit (EBIT)	1,210	1,365	5,988	3,753	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.

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.

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

There were no acquisitions during the comparison period.

Financial reporting

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 Kari Lehtosalo

Tel: +358 40 701 0338

E-mail: kari.lehtosalo@solteq.com

Distribution:

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Key media

www.solteq.com