SOLTEQ

Annual Report 2022

Contents

Solteq in Brief

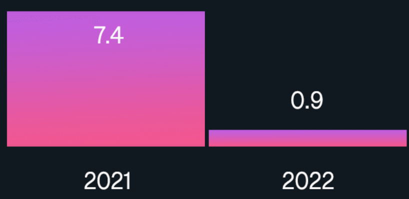
Solteq provides software solutions and IT expert services to the energy sector, retail industry, and the needs related to e-commerce. The Company employs over 650 professionals and serves its customers in the Nordic countries. The company has offices in Finland, Sweden, Norway, Denmark, Poland, and the UK.

68.4 MEUR

Revenue

0.9 MEUR

Comparable operating result



6

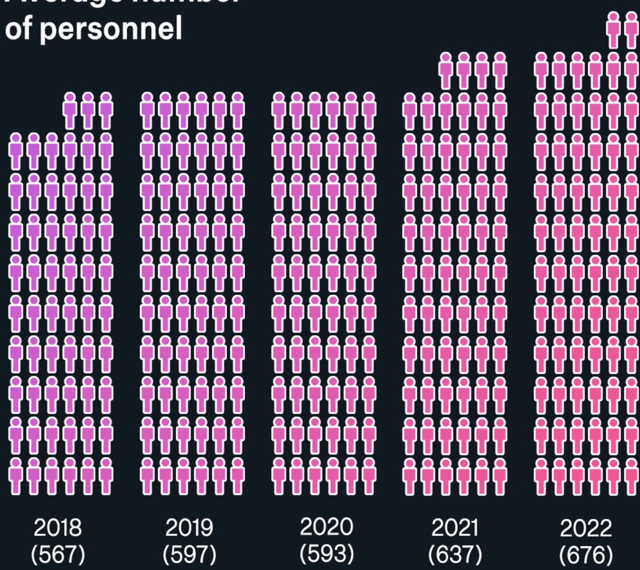
Countries

14

Offices

676

Average number of personnel



"The updated strategy, the new management, and investments in internationalization will create a path toward profitable growth in the near future."

CEO Aarne Aktan

The profitability weakened due to a decrease in demand and difficulties in product development

The year 2022 was tough for Solteq. The Group's revenue was EUR 68.4 million (69.1) for the financial year, staying flat relative to the comparison period. The biggest change from the previous year was the Group's profitability. The comparable EBITDA was EUR 6.4 million (12.6) and the comparable operating result was EUR 0.9 million (7.4).

The Russian invasion of Ukraine drove the global economy into uncertainty with high inflation and interest rate levels. The uncertain operating environment reflected the demand in regard to the Solteq Digital segment. The revenue of the segment was EUR 42.1 million (44.3). The decrease in demand affected the profitability of the segment. The EBITDA was EUR 5.3 million (7.9) and the operating result was EUR 3.2 million (5.6).

The revenue of the Solteq Software segment increased and was EUR 26.3 million (24.8). Despite the growth, the problems with the product development of the Utilities business continued since the beginning of the year and weakened the profitability of the segment. The financial year's comparable EBITDA was EUR 0.6 million (4.6) and the comparable operating result was EUR -2.8 million (1.8). The two acquisitions made in 2022 aimed to strengthen the offering and market position of the Utilities business. In addition, the Solteq Robotics business area, which had demanded significant product development investments, was terminated for being unprofitable.

The market situation and the challenges related to the product development of Utilities continue to strain the company during the financial year 2023. Despite this, the outlook for the Retail & Commerce segment is expected to remain moderate. The estimated outlook for the Utilities segment is good. The company aims to resolve the product development problems during the first half of the year. The updated strategy, the new management, and investments in internationalization will create a path toward profitable growth in the near future.

Aarne Aktan
CEO

Corporate Governance Statement

Investor Information

Annual General Meeting

The shareholders of Solteq Plc will be invited to the Annual General Meeting, which will be held at Hotel Clarion Aviapolis in Vantaa (Karhumäentie 5) on Wednesday, March 29, 2023, at 10:00 a.m. The Company's shareholders can also participate online. The online participants can exercise their rights to vote and to speak. The shareholders can also exercise their voting rights by voting in advance.

Solteq's Financial Reporting in 2023

- Interim Report 1–3/2023 on May 4, 2023, at 8:00 a.m.
- Half-Year Financial Report 1–6/2023 on August 23, 2023, at 8:00 a.m.
- Interim Report 1–9/2023 on October 26, 2023, at 8:00 a.m.

Stock Exchange Bulletins 2022

Dec 30, 2022	Amendments to the terms and conditions of Solteq Plc notes approved in written procedure
Dec 19, 2022	Solteq Plc makes a clarification to the notice of written procedure relating to its EUR 23 million senior unsecured fixed rate notes due 2024 and extends the voting deadline
Dec 12, 2022	Changes in Solteq Plc's Executive Team
Nov 25, 2022	Solteq Plc announces a written procedure to amend the terms and conditions of its EUR 23 million senior unsecured fixed rate notes due 2024
Nov 25, 2022	Solteq updates its strategy: the energy sector, retail industry, and e-commerce at the core of the business
Nov 14, 2022	Solteq Plc - Managers' Transactions
Nov 11, 2022	Solteq Plc - Managers' Transactions
Nov 9, 2022	Changes in Solteq Plc's Executive Team
Oct 27, 2022	Solteq Plc's Financial Reporting and Annual General Meeting in 2023
Oct 27, 2022	Solteq Plc's Interim Report January 1 – September 30, 2022
Sep 22, 2022	Solteq Plc - Managers' Transactions
Sep 22, 2022	Solteq Plc - Managers' Transactions
Sep 19, 2022	Kari Lehtosalo, CFO of Solteq Plc, appointed as EVP of the Solteq Software segment
Sep 19, 2022	Profit warning: Solteq Plc lowers its guidance for revenue and operating profit for 2022
Aug 30, 2022	Solteq Plc - Managers' Transactions
Aug 22, 2022	Solteq Plc - Managers' Transactions
Aug 18, 2022	Solteq Plc - Managers' Transactions
Aug 18, 2022	Solteq Plc - Managers' Transactions
Aug 17, 2022	Solteq Plc - Managers' Transactions
Aug 15, 2022	Solteq Plc - Managers' Transactions
Aug 11, 2022	Solteq Plc Half-Year Report January 1 – June 30, 2022
Aug 11, 2022	Solteq Plc: Change in the Audit Committee of the Board of Directors
May 25, 2022	Profit warning: Solteq Plc lowers its revenue and profit guidance for 2022
Apr 28, 2022	Solteq Plc's Interim Report January 1 – March 31, 2022

Apr 1, 2022	Aarne Aktan Appointed as CEO of Solteq Plc
Mar 24, 2022	Decisions of the Annual General Meeting 2022 and the Board meeting held after the Annual General Meeting
Mar 2, 2022	Notice to Solteq Plc's Annual General Meeting 2022
Mar 2, 2022	Solteq Plc's Annual Report 2021 Has Been Published
Feb 25, 2022	Update on the recruitment process of Solteq Plc's CEO
Feb 17, 2022	Solteq Plc's Financial Statements Bulletin January 1 – December 31, 2021
Jan 14, 2022	Kari Lehtosalo appointed as Interim CEO of Solteq Plc

Corporate Governance Statement

Corporate Governance Statement has been drafted in compliance with the Finnish Companies Act and the Finnish Securities Markets Act valid on the date of publication. The Statement is issued as a separate report and a reference to this statement is made in the Report of the Board of Directors.

General Principles

Solteq Plc is a public limited company registered in Finland and its head office is in Vantaa. By the end of the financial year, Solteq Group consists of the parent company Solteq Plc, two domestic subsidiaries, and four foreign subsidiaries, which have four additional subsidiaries.

Decision-making and governance at Solteq comply with the Company's Articles of Association, the Finnish Companies Act and other applicable legislation. In addition, the Company complies with the Securities Market Association's Corporate Governance Code (Corporate Governance Code is available at cgfinland.fi) as well as the Nasdaq Helsinki Ltd Guidelines for Insiders. The foreign subsidiaries comply with local legislation.

Duties of the Governing Bodies

The Annual General Meeting of shareholders, the Board of Directors, and the CEO oversee the management of Solteq Group and their tasks are determined in accordance with the Finnish Companies Act. The CEO oversees group-level operative activity, assisted by the Group's Executive Team.

Annual General Meeting

The Annual General Meeting is the highest governing body of the Company. The Annual General Meeting is held once a year on a date determined by the Board of Directors, within six months of the end of the financial year. Extraordinary Annual General Meetings may be held during the year, if necessary. In accordance with the Articles of Association, Annual General Meetings are held in Vantaa, Finland, which is where the Company's registered head office is located. A notice to the Annual General Meeting of shareholders and the agenda of the meeting are published in at least one Finnish national daily newspaper and as a stock exchange bulletin as well as on the Company's website.

The Annual General Meeting decides on the following matters:

- approval of the income statement and balance sheet,
- measures to be taken regarding the profit or loss shown on the approved balance sheet,
- discharging the members of the Board of Directors and the CEO from liability,
- number of Board members and their appointment,
- election of auditors,
- remuneration of the Board of Directors and auditors, and

- other matters specified in the notice to the Annual General Meeting.

Shareholders have the right to propose a relevant issue to the Annual General Meeting agenda. Proposals must be made in writing to the Board, before the Annual General Meeting, and by the deadline announced on the Company's website.
Decisions of the Annual General Meeting are published in a stock exchange bulletin immediately after the meeting. In addition, the minutes of the Annual General Meeting, including the appendixes and voting results are made available to the shareholders on the Company's website, within two weeks of the Annual General Meeting.

Board of Directors

The Board of Directors of Solteq Plc is responsible for the Company's management and the appropriate organization of its operations. According to the Companies Act, the Board of Directors represents all shareholders and has the general duty to act diligently in the interest of the Company. The Board of Directors is responsible for the duties specified in the Articles of Association and the Finnish Companies Act. The main duties of the Board of Directors include confirming the Company's strategy and budget, making decisions on financing agreements, and decisions on the purchase and sale of significant assets. The Board of Directors monitors the Company's financial performance by means of monthly reports and other information provided to the Board by the Company's management.

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

In accordance with the charter, the duties of the Board of Directors are to:

- steer the Company's operations in such a way as to maximize long-term added value to the assets invested in the Company, while taking the Company's various stakeholder groups into consideration,
- approve the incentive systems of the CEO and other management personnel,
- appoint and dismiss the CEO and decide on the terms of the CEO's service contract,
- confirm the strategy, business objectives, and annual budget and supervise their implementation,
- approve significant financing agreements and the purchases and sales of significant assets,
- review and approve interim reports and financial statements,
- review and approve mergers, acquisitions, and corporate restructuring arrangements with a total value exceeding EUR 500 thousand and exceptional balance sheet items of more than EUR 100 thousand that are not part of the Company's regular business operations,
- review all contracts, agreements, and business transactions with the owners of the Company and the Executive Team with their related parties, and with companies in which Solteq Plc holds a controlling interest,
- approve the Company's structural changes and confirm the organization of the Company based on the CEO's proposal,
- appoint the members of the Company's senior management who report to the CEO, based on the CEO's proposal, and decide on the remuneration principles of the members of the Executive Team,
- regularly assess its own operations and collaboration with the management, and
- deal with other matters that the Chairman of the Board and the CEO have agreed to be dealt with by the Board of Directors or matters that are otherwise within the decision-making power of the Board of Directors based on the Companies Act, other legislation, the Company's Articles of Association and other applicable rules and regulations.

The special duties of the Chairman of the Board of Directors are to:

- steer the work of the Board of Directors in a manner that ensures that the Board attends to its duties as efficiently and appropriately as possible,
- maintain regular contact with the CEO between Board meetings to monitor the operations of the Company,
- if necessary, maintain regular contact with other Board members between Board meetings,
- if necessary, maintain regular contact with the Company's shareholders and other stakeholders, and
- bear responsibility for the planning and assessment of the activities of the Board of Directors and the assessment of the CEO.

In accordance with the Articles of Association, Solteq's Board of Directors has a minimum of five and a maximum of seven regular members. The Board members are elected by the Annual General Meeting for one term of office at a time. The majority of the Board members should be independent of the Company. In addition, at least two Board members who are independent of the Company should also be independent of the significant shareholders of the Company.

The term of office begins at the end of Annual General Meeting that elects the Board of Directors and expires at the end of the first Annual General Meeting following the election. The Articles of Association place no restrictions on the power of the Annual General Meeting to elect members of the Board of Directors. The Board of Directors elects a chairman from among its members and the Board of Directors is deemed to have a quorum when more than half of its members are in attendance. In addition to matters to be resolved, the Board of Directors is provided with up-to-date information on the Group's operations, financial standing, and risks in its meetings. The Board of Directors meets 10–14 times per year according to an agreed schedule, in addition to which the Board of Directors is convened when necessary. Minutes are kept for all meetings.

The Annual General Meeting 2022 elected six (6) members to Solteq's Board of Directors. The Annual General Meeting re-elected Aarne Aktan, Markku Pietilä, Panu Porkka, and Katarina Segerståhl, and Anni Sarvaranta and Mika Sutinen were elected as new members of the Board of Directors for the term expiring at the end of the Annual General Meeting of 2023. The Company announced on April 1, 2022, the appointment of Aarne Aktan as the new CEO starting from July 1, 2022. After Aktan took on his duties as Solteq's CEO and resigned from the Board, the Board of Directors consists of five (5) members. The Board of Directors met 16 times during the year and had an attendance rate of 95 percent.

The Board's Diversity Principles

The purpose of the Board of Director's diversity policy is to define the objectives and methods for achieving appropriate diversity for the Board of Directors and promoting the collective effectiveness of the Board's activities.

Diversity of the Board of Directors supports the Company's business operations and development. Diversity of the know-how, experience, and opinions of the Board members promotes the ability to have an open-minded approach to innovative ideas and the ability to support and challenge the Company's operative management. Adequate diversity promotes open discussion and independent decision-making. Diversity also promotes good corporate governance, efficient supervision of the Company's directors and executives, as well as succession planning.

The objective is that the Board of Directors has broad know-how, experience, perspectives, and knowledge of Solteq and its stakeholders, which enables the Board of Directors to perform its tasks effectively, particularly with respect to strategy and risk management. A further objective is for the gender that is the minority to represent at least 1/3 of the Board of Directors.

The Company's current Board of Directors is compliant with the diversity objectives. The Board members represent diverse industry and market know-how as well as a variety of professional and academic backgrounds. In 2022, the assembly of the Board of Directors was updated as following:

- Between January 1, 2022, and March 23, 2022, the Board of Directors was composed of three men and two women.
- Between March 24, 2022, and June 30, 2022, the Board of Directors was composed of four men and two women.
- Between July 1, 2022, and December 31, 2022, the Board of Directors was composed of three men and two women.

The Audit Committee of the Board of Directors

The Audit Committee monitors the Group's profit performance, budget preparation principles, budgeting, financing situation, and risk management. The Audit Committee's duties are to:

- monitor the Company's financial and financing situation,
- monitor the Company's financial statements reporting process,
- supervise the Company's financial reporting and merger and acquisition processes,
- monitor the efficiency of the Company's internal control as well as any internal auditing and risk management systems,
- review the Company's corporate governance statement, including the description of the main features of the control and risk management systems related to the financial reporting process,
- monitor the financial statements and statutory audits of the consolidated financial statements,
- assess the independence of the statutory auditor or audit firm,
- assess the audit firm's provision of related services,
- prepare a proposal for the election of the auditor,
- maintain contact with the auditor and review the reports prepared by the auditor for the Audit Committee, and
- assess compliance with laws and regulations.

The Audit Committee consists of three members. The Board of Directors elects the members and the Chairman of the Audit Committee from among its members. The members of the Committee shall have the qualifications required for performing the tasks of the Committee, and at least one member shall have expertise in accounting or auditing.

The Company's CEO and CFO present the matters to the Audit Committee. The Audit Committee may use external experts and advisors if necessary.

The Chairman of the Audit Committee prepares the agendas for the Committee's meetings and decides on the items to be included in the agenda based on discussions with the management of the Company. The CFO or another person appointed by the Audit Committee acts as secretary of the Committee.

The minutes of the Committee meetings are made available to the Board of Directors. The Chairman of the Committee also reports to the Board of Directors on significant observations.

The members of the Committee are paid a fee determined by the Annual General Meeting.

The members of the Audit Committee must be independent of the Company and at least one of the members must be independent of the Company's significant shareholders.

Solteq Plc's Board of Directors has an Audit Committee whose members were Aarne Aktan, Markku Pietilä and Katarina Segerståhl from January 1 to June 30, 2022. The Audit Committee was reorganized as Aarne Aktan resigned from the Board of Directors on July 1, 2022, as he assumed his position as the CEO of the Company. The Company announced on August 11, 2022, the appointment of Mika Sutinen as a member of the Audit Committee. Sutinen acts as the Chairman of the Committee. The Audit Committee consists of one member independent of the Company and two members independent of the Company and its significant shareholders.

During the financial year 2022, the members of the Audit Committee were paid a fee for attending Committee meetings. The fee was determined by the Annual General Meeting.

CEO

The Board of Directors appoints the CEO. The CEO oversees the management of the Company's business operations and governance in accordance with the Articles of Association, the Finnish Companies Act, and the instructions issued by the Board of Directors. The CEO is assisted by the Executive Team in the management of the Group.

The Company announced the resignation of its CEO Olli Väätäinen on September 17, 2021. Väätäinen served as the Company's CEO until January 31, 2022. The Company appointed Kari Lehtosalo, who has acted as the CFO and member of the Executive Team since 2019, as Interim CEO as of February 1, 2022. Aarne Aktan, who had acted as a member of the Board since 2015, took on his duties as Solteq's new CEO on July 1, 2022.

Executive Team

The Executive Team assists the CEO in the operative management of the Company, prepares matters dealt by the Board of Directors and the CEO, and plans and monitors the operations of the business units. The Executive Team regularly convenes on a weekly basis. The CEO is the Chairman of the Executive Team.

From January 1 to January 31, 2022, the members of the Executive Team were Olli Väätäinen (Chairman, CEO, and Solteq Software), Matti Djateu (Marketing and PR), Kirsi Jalasaho (People and Culture), Kari Lehtosalo (Finance and IR), and Juha Rokkanen (Solteq Digital).

From February 1 to June 30, 2022, the members of the Executive Team were Kari Lehtosalo (Chairman, Interim CEO, Finance and IR), Matti Djateu (Marketing and PR), Kirsi Jalasaho (People and Culture), and Juha Rokkanen (Solteq Digital).

From July 1 to December 31, 2022, the members of the Executive Team were Aarne Aktan (Chairman, CEO) Kari Lehtosalo (Finance and IR, Solteq Software), Matti Djateu (Marketing and PR), Kirsi Jalasaho (People and Culture), and Juha Rokkanen (Solteq Digital).

Internal Audit

The Group does not have a separate internal audit organization. The practical implementation of internal auditing is the responsibility of the financial department, and it is monitored by the Audit Committee appointed by the Board of Directors. The objective is to ensure the consistency of administrative practices and accounting principles.

External Audit

Solteq Plc has one auditor. If the auditor is not accredited as Authorized Public Accountant, the Company shall additionally have one deputy auditor. The auditors are elected until further notice. The primary function of external auditing is to verify that the financial statements provide accurate and adequate information about Solteq Group's result and financial position for the financial period. The Auditors also report to the Audit Committee and, if needed, to the Board of Directors on the ongoing auditing of administration and operations.

The Annual General Meeting 2022 re-elected KPMG Oy Ab, Authorized Public Accountants, as auditors and Petri Sammalisto, APA, acting as the Chief Auditor.

Solteq Group's audit fees in 2022 amounted to EUR 148 thousand, fees for certificates and statements to EUR 7 thousand, and other professional services amounted to EUR 85 thousand. The audit fees paid to the Parent Company's auditor, KPMG Oy Ab, for 2022 were EUR 101 thousand, fees for certificates and statements to EUR 7 thousand, and fees for other professional services amounted to EUR 85 thousand.

Shares Held by the Management

According to the shareholding register maintained by Euroclear Finland Oy, the governing bodies held Solteq Plc shares as following on December 31, 2022:

- the members of the Board: 17,000 shares
    - Chairman of the Board Markku Pietilä: 17,000 shares
- CEO Aarne Aktan: 8,853 shares

In addition, the members of the Executive Team, excluding the CEO, held 91,503 Solteq Plc shares.

Internal Control and Risk Management Systems Associated with Financial Reporting

The ultimate responsibility for accounting and financial administration lies with Solteq Plc's Board of Directors. The Board is responsible for internal control, and the CEO is responsible for the practical organization and monitoring of the control system. The steering and monitoring of business operations is based on a reporting and business planning system that covers the entire Group. The CEO and CFO deliver monthly reports regarding the Group's financial situation and development at Board and Executive Team meetings.

Risk Management System

The Group's risk management is guided by legal requirements, business goals set by the Company's shareholders as well as the expectations of other stakeholders. Risk management aims to identify and acknowledge the risks involved in the Company's operations as well as to make sure that the risks are appropriately managed when making business decisions. The Company's risk management supports the achievement of strategic goals and ensures the continuity of business operations.
Solteq takes risks according to its strategy and objectives. The Company is not willing to take risks that might compromise the continuity of operations, have a significant negative impact on the Company's operations, or might be uncontrollable. Risks are divided into operational, personnel, financing, legal, and financial risks. In the process of risk management, the goal is to identify and assess the risks, after which a risk-specific plan is drawn up and concrete action is taken. Such actions may include, for example, avoiding the risk, mitigating the risk by various means, or transferring the risk by means of insurance or agreements. When necessary, the Board of Directors will be provided reports on any material changes and new significant risks identified in the process of risk management.

In 2022, the main risks were related to the general financial uncertainty caused by Russia's invasion of Ukraine, high inflation, increased interest rates, and the availability of labor. Other key uncertainties and risks were 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 general costs, information security and data protection, development and commercialization of the Company's own products, and the capability to manage extensive customer contracts and deliveries.

The key business risks and uncertainties of the company are regularly monitored by the Board of Directors and the Executive Team. In addition, the Company has an Audit Committee established by the Board of Directors.

Control Environment

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

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

Risk Assessment in Financial Reporting

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

Control Functions

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

Revenue recognition is based on the existence of obligatory sales documentation. Goodwill is tested for impairment during the last quarter of the year. Indications of impairment are also monitored on a continuous basis. Information systems support compliance with the Group's approval authorizations.
Personnel expenses account for a majority of Solteq's expenditure. Actual and forecasted personnel expenses are monitored, and the forecasts are regularly updated at a very detailed level. The results of business operations and achievement of annual targets are assessed monthly in Executive Team and Board meetings. Monthly reporting at the management and Board level includes both actual and forecast data compared to the targets and the actual results of previous periods.

In line with its strategy, Solteq has complemented its organic growth by making targeted acquisitions. Through making acquisitions, the Company aims to observe due diligence and utilize its internal and external competence in the planning phase (e.g., due diligence) and in the integration phase.

Investor Communications and Financial Reporting

Solteq's Disclosure Policy defines the practices followed in the Company's investor communications. The Disclosure Policy is compliant with EU and Finnish legislation, Nasdaq Helsinki's rules and guidelines for insiders, and the guidelines and regulations of the Finnish Financial Supervisory Authority and other authorities. Disclosure Policy is available on the Company's website.

Timeliness, simultaneousness, continuity, and transparency are the principles guiding financial reporting. The purpose of these principles is to ensure that all market stakeholders have simultaneous access to sufficient and correct information about the Company, its operations, goals, strategy, and financial situation, to determine the fair value of Solteq Plc's shares and listed financial instruments.

Monitoring

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

Insider Administration

Solteq Plc complies with the Guidelines for Insiders issued by Nasdaq Helsinki Ltd on January 1, 2021.

Managers' Transactions

Pursuant to the Market Abuse Regulation (MAR), the persons discharging managerial responsibilities within the Company comprise the members of the Board of Directors and the Executive Team as well as certain other persons whose duties satisfy the criteria for being a person discharging managerial responsibilities.

Persons discharging managerial responsibilities are prohibited from all trading in Solteq Plc's securities for a period of 30 days before the date of publication of financial information bulletins. Persons discharging managerial responsibilities and their closely associated persons must report their business transactions exceeding the annual worth of EUR 5,000 related to the Company's securities to the Company and the Financial Supervisory Authority. The Company is required to publish the information as a stock exchange bulletin and on the Company's website.

Inside information and project-specific insider register

The Company will disclose inside information concerning the Company to the public as soon as possible, unless a decision is taken to delay this upon the fulfilment of the preconditions set out in the Market Abuse Regulation. If the company decides to delay the disclosure of inside information, the company shall monitor the fulfilment of delaying criteria throughout the delay process i.e., until the insider information is published or the project in question expires. The company will not disclose information about projects that have lapsed. If the confidentiality of the information that is subject to the delay cannot be guaranteed, the company will publish the insider information as soon as possible.

Project-specific insider registers will be maintained in a situation where the company has decided to delay the disclosure of inside information and established a project-specific insider register concerning inside information. Persons participating in projects affecting the value creation of the company's shares belong to the company's project-specific group of insiders. Persons taking part in the project may not trade company shares, debt instruments or related derivatives, or other financial instruments, and any transactions related to them are forbidden until the project either expires or is published.

Board of Directors on December 31, 2022

Markku Pietilä
Chairman of the Board
Year of birth: 1957
Education: M.Sc. (Tech.), MBA
Main occupation: Board Professional
Key work experience: CEO, Kymiring Oy; Chairman of the Board, Profiz Business Solutions Oy; Senior management positions, Componenta Oyj
Member of the Board of Directors since: 2008
Independent of the Company

Panu Porkka
Year of birth: 1977
Education: The Finnish Matriculation Examination
Primary Occupation: CEO, Verkkokauppa.com Oyj
Key work experience: CEO, Suomalainen Kirjakauppa Oy; Sales Director, Tokmanni Oy
Member of the Board of Directors since: 2019
Independent of the Company and its significant shareholders

Katarina Segerståhl
Year of birth: 1981
Education: PhD, Information Systems
Primary Occupation: Founder and CEO, Adalyon Oy
Key work experience: Chief Strategy Officer (CSO), Aava Medical; Head of Strategic Design, Tieto Finland Oy
Member of the Board of Directors since: 2019
Independent of the Company and its significant shareholders

Mika Sutinen
Year of birth: 1966
Education: M.Sc. (Econ.)
Main occupation: Industrial Partner, Vaaka Partners Oy; Chairman of the Board, Reaktor, Framery, Luhta, Jungle Juice Bar, SGN Group, Ellun Kanat, Talentree, Staria, Business Forum Group (Nordic Business Forum), and Kalpa; Member of the Board, LähiTapiola Rahoitus
Key work experience: CEO, Musti Group Oy; CEO, Best Friend Group; Consultant, Partner, Instead Oy
Member of the Board of Directors since: 2022
Independent of the Company and its significant shareholders

Anni Sarvaranta
Year of birth: 1985
Education: M.Sc. (Tech.), Energy Technology
Main occupation: CEO, Auris Kaasunjakelu Oy & Auris Kaasuenergia Oy
Key work experience: SVP of Transmission Business, Gasgrid Finland Oy; Development Director, Baltic Connector Oy; Head of Strategy, Helen Oy
Member of the Board of Directors since: 2022
Independent of the Company and its significant shareholders

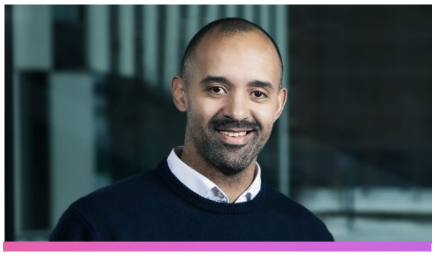
Executive Team on December 31, 2022

Aarne Aktan

Year of birth: 1973
Education: B.Sc. (Econ.)
Main occupation: CEO, Solteq Plc
Key work experience: CEO, Synlab Oy (2019–2022); CEO, Pihlajalinna Plc (2016–2017); CEO, Talentum Oyj (2011–2016); CEO, Quartal Oy (1997–2011)
Member of the Executive Team since: July 1, 2022
Key concurrent positions of trust: Chairman of the Board of Smartum Oy, member of the Board of Trainers' House Plc, and advisor of two Intera Partners funds.

Kari Lehtosalo

Year of birth: 1972
Education: MBA
Main occupation: CFO, Solteq Plc
Essential work experience: CFO, IBM (2013-2019); Finance and Business Development leadership positions, IBM (2001-2012)
Member of the Executive team since: September 23, 2019
Key concurrent positions of trust: -



Matti Djateu

Year of birth: 1975
Education: –
Primary occupation: CDO, Solteq Plc
Key work experience: Head of Digital & PR, Scotch & Soda (2015–2017); Consultant, Peuple Bavard (2014–2015); Creative Director, Dentsu Aegis Network (2011–2014)
Member of the Executive Team since: June 16, 2017
Key concurrent positions of trust: –

Kirsi Jalasaho

Year of birth: 1974
Education: M.Sc. (Econ.)
Primary occupation: Vice President, People, Culture, Solteq Plc
Key work experience: Vice President, Marketing and IR, Solteq Plc (2015–2017); Chief Financial Officer (CFO), Descom Group Oy (2012–2015)
Member of the Executive Team since: April 3, 2017
Key concurrent positions of trust: Board member, Jyväs-Parkki Oy; member of the Central Finland regional board, Technology Industries of Finland

Juha Rokkanen

Year of birth: 1969
Education: BBA
Primary occupation: EVP, Solteq Digital
Key work experience: CEO, inPulse Works (2016–2017); Managing Director, Innofactor Finland (2013–2015); Managing Director, atBusiness Oy, (2006 – 2013); Sales Director, WM-Data Novo Oyj (2003–2006)
Member of the Executive Team since: June 12, 2017
Key concurrent positions of trust: Member of the Board of Directors, The Finnish Software and E-business Association

Remuneration Report

Remuneration Principles

The Remuneration Report contains information on the remuneration of Solteq Plc's Board of Directors and CEO from January 1 to December 31, 2022. The report has been prepared in accordance with the recommendations of the Corporate Governance Code 2020 and the requirements of the Finnish Securities Markets Act and Limited Liability Companies Act.

The remuneration of Solteq Plc’s governing bodies is based on the remuneration policy, which was determined at the Annual General Meeting held on June 10, 2020. The remuneration policy shall be applied until the Annual General Meeting in 2024 unless the Board of Directors decides to present it to the Annual General Meeting earlier. The remuneration policy is available on the Company's website.

In 2022, the Company's remuneration policy was implemented accordingly, and no exceptions were made. This remuneration report contains essential information on the remuneration paid and due to the Company's Board of Directors and CEO for the financial year 2022.

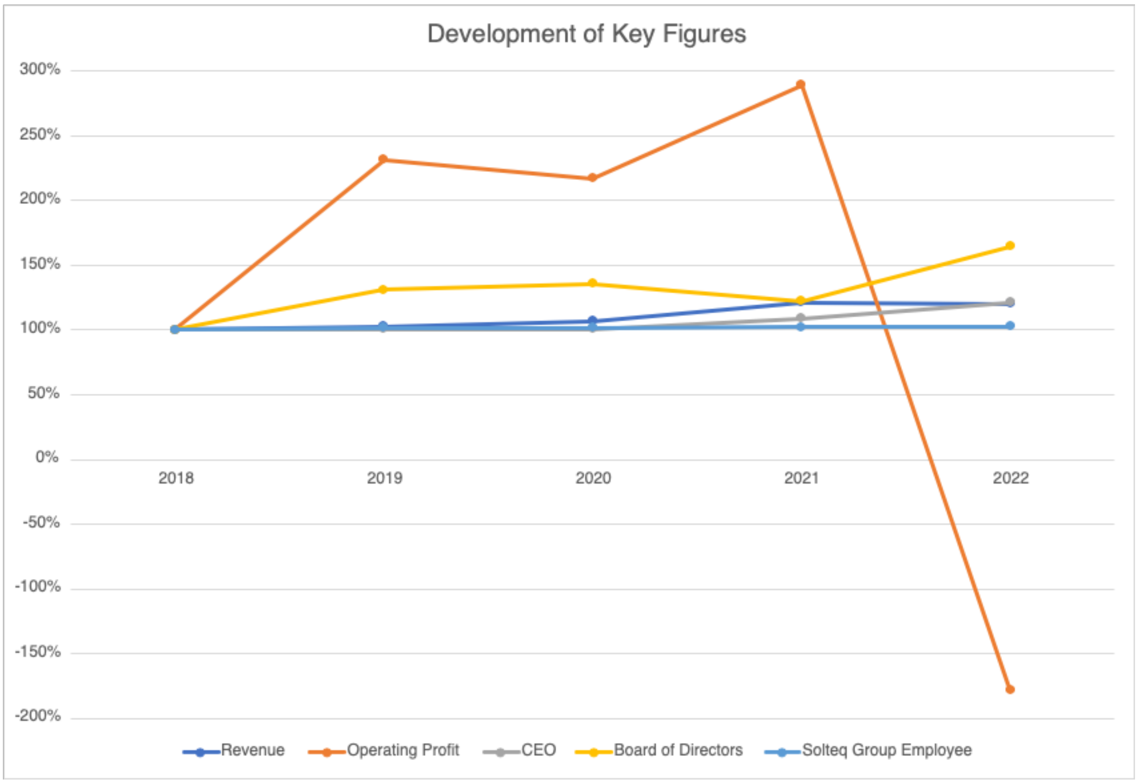
The Remuneration Report will be presented at the Annual General Meeting in 2023. In addition, the remuneration report is also published in a stock exchange bulletin and on the Company’s website.

Solteq’s Performance and Remuneration Development

The following compares the development of the Company's result and the average salary of its employees with the remuneration of Board of Directors and CEO over the past five years.

The remuneration of the Board of Directors is based on monthly remuneration and remuneration paid per meeting, which are decided by the Annual General Meeting. The members of the Board were paid EUR 1,500 and the Chairman of the Board EUR 3,000 during January 1–March 31, 2022. The monthly remuneration was increased in the Annual General Meeting 2022. The monthly remuneration paid to a member of the Board of Directors was increased by EUR 1,000 to EUR 2,500 and the monthly remuneration paid to the Chairman by EUR 2,000 to EUR 5,000. The EUR 500 fee paid per meeting has remained the same during the financial year.

In 2022, the CEO's remuneration has consisted of the fixed fee based on the CEO’s contract. The CEO had no performance-based or other short- or long-term incentive schemes. The CEO changed during 2022 as CEO Olli Väätäinen resigned from his duties on January 31, 2022. The Company’s CFO Kari Lehtosalo acted as the Interim CEO from February 1, 2022, to June 30, 2022. CEO Aarne Aktan took on his duties on July 1, 2022. The company presents figures representing the paid or due compensations to the CEOs during the year 2022.



Remuneration of the Board of Directors

The Annual General Meeting decides on the remuneration paid to the Board of Directors. In accordance with the decisions made in the 2021 Annual General Meeting, the Chairman of the Board was paid a monthly fee of EUR 3,000, and other Board members were paid a monthly fee of EUR 1,500 between January 1, 2022, and March 31, 2022. In accordance with the decisions made in the 2022 Annual General Meeting, the monthly fee paid to the Chairman of the Board was EUR 5,000 and to the other Board members EUR 2,500. All Board members were paid a meeting fee of EUR 500 for Board and Committee meetings. Board members' travel expenses were compensated in accordance with the Company's applicable travel guidelines.

Remuneration paid and due to the Company's Board of Directors for the financial year 2022.

TEUR	Annual Remuneration	Meeting Remuneration	Total Remuneration
Pietilä Markku (Chairman of the Board)	54	10,5	64,5
Aktan Aarne (Jan 1–Jun 30, 2022)	12	5	17
Kopra Lotta (Jan 1–Mar 24, 2022)	4,5	2	6,5
Porkka Panu	27	7,5	34,5
Sarvaranta Anni (Mar 24–Dec 31, 2022)	22,5	5,5	28
Segerståhl Katarina	27	10,5	37,5
Sutinen Mika (Mar 24–Dec 31, 2022)	22,5	6,5	29
Total	**169,5**	**47,5**	**217**

The meeting fees also include the fees paid for Committee meetings.

CEOs Remuneration

The Board of Directors decides on the terms and conditions of the CEO’s service agreement and decides on the remuneration of the CEO in accordance with the remuneration policy.

The CEOs were paid a fixed remuneration (a fixed part) in accordance with the CEO’s service agreement. In 2022, the CEOs did not have any performance-based or other short or long-term incentive schemes (possible variable part) in addition to the basic salary.

Remuneration paid and due to the CEOs for the financial year 2022:

TEUR	**Fixed Remuneration**
Väätäinen Olli	58
Lehtosalo Kari	114
Aktan Aarne	175
Total	**347**

The remuneration paid to the CEO includes taxable fringe benefits.

Other key terms:

- The CEO’s notice period is 6 months
- No severance pay is stipulated by the CEO’s contract

In accordance with the Remuneration Policy, the Board of Director’s may decide changes to the remuneration of the CEO and deputy CEO. The remuneration paid may consist of a fixed remuneration, fringe benefits, and short and long-term incentive schemes.

Report of the Board of Directors

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Report of the Board of Directors

The profitability of Solteq weakened due to a decrease in demand and difficulties in product development

The year 2022 was tough for Solteq. The Group's revenue was EUR 68.4 million (69.1) for the financial year, staying flat relative to the comparison period. The biggest change from the previous year was the Group's profitability. The comparable EBITDA was EUR 6.4 million (12.6) and the comparable operating result was EUR 0.9 million (7.4).

The Russian invasion of Ukraine drove the global economy into uncertainty with high inflation and interest rate levels. The uncertain operating environment reflected the demand in regard to the Solteq Digital segment. The revenue of the segment was EUR 42.1 million (44.3). The decrease in demand affected the profitability of the segment. The EBITDA was EUR 5.3 million (7.9) and the operating result was EUR 3.2 million (5.6).

The revenue of the Solteq Software segment increased and was EUR 26.3 million (24.8). Despite the growth, the problems with the product development of the Utilities business continued since the beginning of the year and weakened the profitability of the segment. The financial year's comparable EBITDA was EUR 0.6 million (4.6) and the comparable operating result was EUR -2.8 million (1.8). The two acquisitions made in 2022 aimed to strengthen the offering and market position of the Utilities business. In addition, the Solteq Robotics business area, which had demanded significant product development investments, was terminated for being unprofitable.

The market situation and the challenges related to the product development of Utilities continue to strain the company during the current financial year. Despite this, the outlook for the Retail & Commerce segment is expected to remain moderate. The estimated outlook for the Utilities segment is good. The company aims to resolve the product development problems during the first half of the year. The updated strategy, the new management, and investments in internationalization will create a path toward profitable growth in the near future.

Nordic IT market outlook within the key industries for Solteq

Solteq aims to meet the changing needs of the energy sector, retail industry, and e-commerce through its product development and expert services in the Nordics. Starting from January 1, 2023, the Group's reportable business segments are Utilities and Retail & Commerce. The Utilities segment offers software solutions and expert services for the energy sector, and the Retail & Commerce segment for retail and e-commerce. The business areas share similar characteristics, such as the rapidly evolving digital transformation and the need for smarter and more efficient core functions. The company estimates that its offering matches well with the industry-specific development needs where the Nordic decision-makers are focusing their IT investments in the coming years.

The demand for software solutions and expert services in the Nordic energy sector is accelerated by changes in the industry's regulation, the transition to renewable energy sources, and the potential for more streamlined business operations created by the developing technology. The business of the Utilities segment consists of software solutions and expert services, which comprehensively take into account the regulatory changes in the Nordics and EU. Among these are 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 the segment's industry-specific expertise and offering create a clear competitive advantage in the Nordic energy market.

The Russian invasion of Ukraine has created significant market uncertainties, such as high inflation and increased interest rates. The uncertainties affect the Nordic market by weakening the demand, in particular, for the offering of the Retail & Commerce segment. However, the demand is driven by the rapidly evolving digitalization and the need for the secure, reliable, and coherent IT ecosystems.

Profit guidance 2023

Solteq Group's revenue is expected to remain on the same level and operating profit to be positive

Key Figures

	2022	2021	Change-% 2022-2021	2020
Revenue, TEUR	68,426	69,055	-0.9	60,452
EBITDA, TEUR	5,555	12,267	-54.7	10,380
Comparable EBITDA, TEUR	6,400	12,556	-49.0	10,810
Operating result, TEUR	-4,406	7,123	-161.9	5,350
Comparable operating result, TEUR	888	7,412	-88.0	5,780
Result for the financial period, TEUR	-5,404	4,100	-231.8	1,980
Earnings per share, EUR	-0.28	0.21	-231.7	0.10
Operating result, %	-6.4	10.3		8.9
Comparable operating result, %	1.3	10.7		9.6
Equity ratio, %	30.3	36.9		35.5

Revenue and Profit

Revenue decreased by 0.9 percent compared to the previous year and totaled EUR 68,426 thousand (69,055). Operating profit for the review period was EUR -4,406 thousand (7,123). Comparable operating profit was EUR 888 thousand (7,412). Profit before taxes was EUR -6,574 thousand (5,245) and the profit for the financial period was EUR -5,404 thousand (4,100).

Solteq Digital

The revenue of the Solteq Digital segment was EUR 42,142 thousand (44,302), a decrease of 4.9 percent relative to the comparison period. The segment's EBITDA was EUR 5,295 thousand (7,916), and the operating result was EUR 3,228 thousand (5,563).

The segment's business consists of three solution areas: digital business and commerce solutions, data and analytics solutions, and business solutions. Of the segment's revenue, 47.4 percent was derived from digital business and commerce solutions, 19.7 percent from data and analytics solutions, and 32.9 percent from business solutions.

Solteq Software

The revenue of the Solteq Software segment was EUR 26,284 thousand (24,753), an increase of 6.2 percent relative to the comparison period. The comparable EBITDA was EUR 641 thousand (4,587), and the comparable operating result was EUR -2,820 thousand (1,795).

The segment's business consists primarily of the Utilities business and retail sector software and services. The Utilities business accounted for 55.5 percent and the Retail business for 37.8 percent of the segment's revenue.

The Utilities product portfolio expanded with two acquisitions, an energy sector software provider Enerity Solutions Oy in January and an energy sector system and service provider S2B Energia Oy in November. The acquisitions strengthen the Company's leading expert position in the changing energy sector and create opportunities for growth within the international market. A significant milestone was reached in February as the customers switched to the centralized information exchange system, Datahub. The introduction of a centralized information exchange system has been a significant step towards a flexible electricity retail market of the future. Going forward, Datahub will be further developed to meet the needs of the changing energy market, and it will enable, among other things, the formation of energy communities and the introduction of a 15-minute imbalance settlement period in 2023. Utilities will continue to invest in product development and internationalization.

In the product development of Retail business area, the Nordic launch of Solteq Commerce Cloud was a key focus area. A significant milestone during the fourth quarter was the preparation for implementation at Royal Arena, Copenhagen. Cloud-based technology, versatile integration capabilities, open interfaces, and features supporting omnichannel business create a significant competitive advantage for Solteq Software's Retail business.

Recurring revenue accounted for 37.4 percent of the segment's revenue. This was lower than previous estimates, due to the high amount of expert work related to delivery projects. Recurring revenue consists of software licensing, maintenance, and support fees.

During the review period, the Company wrote off EUR 4,418 thousand worth of investments made to the product development of the Solteq Robotics business. In November, the business area was terminated for being unprofitable. During the review period, Solteq invested EUR 3,676 thousand in total into product development.

Balance Sheet and Finance

Total assets amounted to EUR 74,336 thousand (75,806) at the end of the review period. Liquid assets totaled EUR 2,057 thousand (3,588). The company has a standby credit limit of EUR 5,000 thousand and a bank account credit limit of EUR 2,000 thousand. At the end of the review period, EUR 5,000 thousand (0) of the standby credit limit and EUR 805 thousand (0) of the bank account credit limit was in use. At the end of the review period, the company had a EUR 1,463 thousand (1,463) Business Finland loan for product development.

The Group's interest-bearing liabilities were EUR 33,474 thousand (29,524).

Solteq Group's equity ratio was 30.3 percent (36.9).

On October 1, 2020, Solteq issued a fixed rate bond with a nominal value of EUR 23.0 million. Annual interest of 6.0 percent is paid on the bond, and it will mature on October 1, 2024. The bond can be redeemed before its final maturity date.

In the fourth quarter, efforts were also made to ensure the flexibility of financing for the current financial year. The company initiated a written procedure to amend the terms and conditions of its EUR 23 million senior unsecured fixed rate notes. Due to the approved amendments to the terms and conditions, the working capital facility was increased from EUR 7 million to EUR 10 million. The increased flexibility in financing is a good thing for the company, although we strive to develop our business in a way that doesn’t require additional debt.

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 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 covenants concerning the distribution of funds and incurring financial indebtedness other than permitted under the terms of the bond are not fulfilled based on the financial year 2022. The fulfillment of the covenants is always reviewed based on the last reported 12-month period. Violations of the above-mentioned financial covenants of the bond do not, as such, lead to the right to demand immediate repayment of the bond, but they limit the distribution of the company's funds and incurring financial indebtedness other than permitted under the terms of the bond.

Investment, Research, and Development

The net investments during the review period were EUR 9,217 thousand (7,147). Of the net investments, EUR 5,291 thousand were related to business acquisitions. Solteq Plc acquired the entire share capital of Enerity Solutions Oy on January 3, 2022, and the entire share capital of S2B Energia Oy on November 7, 2022. During the comparison period, Solteq Plc acquired the consulting business of Partiture Oy on March 1, 2021, and Solteq Denmark A/S acquired the entire share capital of Forsyning 360 ApS on October 1, 2021. EUR 3,676 thousand (2,807) 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 250 thousand (564). Other investments include the net change in rented premises and equipment, totaling EUR 302 thousand (492). During the review period, Solteq Plc wrote off EUR 4,418 thousand in product development investments relating to the Solteq Robotics business.

Capitalized development costs included EUR 2,367 thousand (2,079) of personnel costs.

Personnel

The number of permanent employees at the end of the review period was 662 (648).

	2022	2021	2020
Average number of personnel during the financial period	676	637	593
Employee benefit expenses, TEUR	37,273	33,987	31,379

Related Party Transactions

Solteq Group's related parties include the Board of Directors, the CEO, and the Group's Executive Team, as well as their related parties and entities according to the IAS24 standard. The related party transactions and euro amounts are presented in attachment 6.2.

Shares, Shareholders, and Treasury Shares

Solteq Plc's equity on December 31, 2022, 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.

Exchange and Rate

During the review period, the exchange of Solteq's shares in the Nasdaq Helsinki Ltd was 13.0 million shares (25.1) and EUR 36.3 million (127.8). The highest rate during the review period was EUR 4.94 and the lowest rate was EUR 1.15. The weighted average rate of the share was EUR 2.81 and the end rate was EUR 1.23. The market value of the company's shares at the end of the review period totaled EUR 23.9 million (90.8).

Ownership

At the end of the review period, Solteq had a total of 7,864 shareholders (7,970). Solteq's ten largest shareholders owned 10,381 thousand shares, i.e. they owned 53.5 percent of the company's shares and votes. Solteq Plc's members of the Board of Directors and CEO owned 26 thousand (328) shares on December 31, 2022.

Distribution of Holdings and Shareholder Information

Distribution of Holdings by Sector December 31, 2022

	Number of owners		Shares and votes	
	PCS	%	PCS	%
Private companies	254	3.23	4,296,922	22.15
Financial and insurance institutions	12	0.15	1,380,743	7.12
Public sector organizations	3	0.04	5,196,890	26.79
Households	7,566	96.21	8,134,578	41.94
Non-profit organizations	4	0.05	93,731	0.48
Foreign owners	17	0.22	293,637	1.51
Total	**7,864**	**100.00**	**19,396,501**	**100.00**
Total of nominee registered	8	0.10	317,102	1.63

Distribution of Holdings by Number of Shares December 31, 2022

	Number of owners		Shares and votes	
Number of shares	**PCS**	**%**	**PCS**	**%**
1 - 100	2,600	33.06	122,907	0.63
101 - 1 000	4,003	50.90	1,667,864	8.60
1 001 - 10 000	1,129	14.36	3,065,266	15.80
10 001 - 100 000	117	1.49	3,197,402	16.48
100 001 - 1 000 000	11	0.14	4,062,403	20.94
1 000 000 -	4	0.05	7,280,659	37.54
Total	**7,864**	**100.00**	**19,396,501**	**100.00**
of which nominee registered	8	0.00	317,102	1.64

Major Shareholders December 31, 2022

		Shares and votes	
		number	**%**
1.	Profiz Business Solution Oy	2,083,769	10.74
2.	Elo Mutual Pension Insurance Company	2,000,000	10.31
3.	Ilmarinen Mutual Pension Insurance Company	1,651,293	8.51
4.	Varma Mutual Pension Insurance Company	1,545,597	7.97
5.	Aktia Capital Mutual Fund	770,000	3.97
6.	Aalto Seppo Tapio	615,000	3.17
7.	Saadetdin Ali U	602,216	3.10
8.	Säästöpankki Small Cap Mutual Fund	500,000	2.58
9.	Incedo Oy	313,178	1.61
10.	Säästöpankki Itämeri Mutual Fund	300,000	1.55
10 largest shareholders total		**10,381,053**	**53.52**
Total of nominee-registered		317,102	1.63
Others		8,698,346	44.84
Total		**19,396,501**	**100.00**

Annual General Meeting

Solteq's Annual General Meeting was held on March 24, 2022. The Annual General Meeting approved the financial statements for the period January 1–December 31, 2021, 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 decided that no dividend is directly distributed for the financial period ended on December 31, 2021, by a resolution of the Annual General Meeting but that the Annual General Meeting authorized the Board of Directors to decide, at its sole discretion, on the distribution of dividends of a maximum amount of EUR 0.10 per share from retained earnings. The authorization was valid until September 30, 2022 (including September 30, 2022) and the board did not use it.

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

The maximum total amount of shares or other rights is 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 the 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 of business acquisitions and other business improvement arrangements. The authorization cannot be used to implement the company's incentive schemes. The authorization includes the right for the Board of Directors to decide on the other terms concerning the share issue and the granting of special rights, including the subscription price and 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, 2023 (April 30, 2023 included).

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 part of the implementation of the company's incentive schemes as follows:

The maximum total amount of shares or other rights is 1,000,000. The authorization includes the right to give new shares and special rights or convey the company's own shares. The authorization includes the right to deviate from the shareholders' pre-emptive right of subscription as part of the implementation of the company's incentive schemes, in which case there is a weighty financial reason for the company. The authorization includes the right for the Board of Directors to decide on the other terms concerning the share issue and the granting of special rights, including the subscription price and payment of the subscription price in cash 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, 2023 (April 30, 2023, included).

The Annual General Meeting authorized the Board of Directors to decide on repurchasing of the company's own shares as follows:

On the basis of the authorization the number of own shares to be repurchased shall not exceed 500,000 shares. Shares may be repurchased in one or more lots. The Company may use only unrestricted equity to repurchase own shares. Repurchase of own shares may be made otherwise than in proportion to the share ownership of the shareholders (directed repurchase). The purchase price shall be at least the lowest price paid for the company's shares in regulated trading at the time of purchase and no more than the highest price paid for Company shares in regulated trading at the time of purchase. Own shares can be purchased to be used to improve the capital structure of the company, to execute of business acquisitions and other business improvement arrangements or as a part of the implementation the company's incentive schemes. The authorization is effective until the next annual general meeting, however, no longer than until April 30, 2023 (April 30, 2023, 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 all other terms concerning the accepting as pledge. The authorization is effective until the next Annual General Meeting, however, no longer than until April 30, 2023 (April 30, 2023, included).

Board of Directors and Auditors

The Annual General Meeting on March 24, 2022, decided to appoint six members to the Board of Directors. Aarne Aktan, Markku Pietilä, Panu Porkka, and Katarina Segerståhl were re-elected and Anni Sarvaranta and Mika Sutinen were elected as members of the Board of Directors for the term expiring at the end of the Annual General Meeting of 2023.

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

In addition, Aarne Aktan, Markku Pietilä, and Katarina Segerståhl were appointed as the members of the Audit Committee and Aarne Aktan 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.

Aarne Aktan resigned from the Board of Directors and Audit Committee of Solteq Plc on July 1, 2022, as he assumed the role of CEO of the Company. Thereafter, Solteq's Board of Directors consists of five members. The Audit Committee was reorganized by the appointment of Mika Sutinen as a member and Chairman of the Committee.

Other Events During the Review Period

On January 3, 2022, Solteq Plc announced that it had signed an agreement to purchase the entire share capital of the energy software company Enerity Solutions Oy. More detailed information regarding the acquisition is presented in the financial statements.

On January 14, 2022, Solteq Plc announced that the company's Board of Directors has appointed Kari Lehtosalo, CFO, as temporary CEO as of February 1, 2022.

On April 1, 2022, Solteq Plc announced that the Company's Board of Directors has appointed Aarne Aktan as the new Chief Executive Officer of the Company. Aktan will begin his duties on July 1, 2022, at the latest. Aarne Aktan has been a member of Solteq's Board of Directors since 2015, and he will continue as a member of the Board until taking over his CEO duties. Thereafter Solteq's Board of Directors consists of five board members.

On May 25, 2022, Solteq Plc announced it is lowering its revenue and profit guidance for 2022. The new profit guidance for 2022 is: Solteq Group's revenue is expected to grow and profit to weaken. The previous 2022 profit guidance, published on April 28, 2022, as a part of the year's first Interim Report, was: Solteq Group's revenue is expected to grow clearly and operating profit to improve. The company's long-term financial goals remain unchanged.

On August 11, 2022, Solteq Plc announced the reorganization of the Audit Committee of the Board of Directors by the appointment of Mika Sutinen as a member of the Committee. Going forward, the Audit Committee consists of Mika Sutinen (Chairman), Katarina Segerståhl, and Markku Pietilä.

On September 19, 2022, Solteq Plc announced it is lowering its revenue and profit guidance for 2022. The new profit guidance for 2022 is: Solteq Group's revenue is expected to stay at the same level and operating profit to be negative. At the same time Solteq announced the write-off of product development investments made to the Solteq Robotics business. The write-off was made during the third quarter and resulted in a one-time negative impact of EUR 4.4 million on the Company's operating result of 2022. The write-off has no cash flow effect.

On September 19, 2022, Solteq Plc announced that the Company's Board of Directors has appointed Kari Lehtosalo as Executive Vice President of the Solteq Software segment. In addition to his new responsibilities, Lehtosalo will continue his duties as the Company's CFO and member of the Executive Team.

On November 9, 2022, Solteq Plc announced that VP of People and Culture and member of the Executive Team, Kirsi Jalasaho, has announced her resignation to assume a new position outside of Solteq. Jalasaho will continue in her current position and as a member of the Executive Team until the end of January 2023.

On November 25, 2022, Solteq Plc announced having updated its business strategy. The energy sector, retail industry, and e-commerce are at the core of the business.

On November 25, 2022, Solteq Plc announced a written procedure to amend the terms and conditions of its EUR 23 million fixed rate bond, due 2024.

On December 12, 2022, Solteq Plc announced changes in its Executive Team. Director of Communications and Marketing Christa Tavan, EVP of the Retail & Commerce segment Jesper Boye, EVP of the Utilities segment Jaakko Hirvensalo, and General Counsel Mikko Sairanen will take on their Executive Team duties as of January 1, 2023. With the changes, EVP of the Solteq Digital segment Juha Rokkanen and Chief Marketing Officer Matti Djateu will leave the Executive Team. Both will continue in their positions and with the company until December 31, 2022.

On December 19, 2022, Solteq Plc announced making a clarification to the notice of the written procedure relating to its EUR 23 million fixed rate bond and extending the voting deadline.

On December 30, 2022, Solteq Plc announced the amendments to the terms and conditions of the bond have been approved in written procedure. After the approval, the permitted size of the Working Capital Facility was increased from EUR 7 million to EUR 10 million.

Events After the Reporting Period

On January 16, 2023, Solteq Plc announced having updated its long-term financial targets. Solteq Plc's Board of Directors has approved the company's segment-specific long-term targets, which are based on the updated strategy and segment structure.

On January 27, 2023, Solteq Plc announced that the Board of Directors has appointed Oona Silén as VP of People and Culture and member of the Executive Team of the company as of February 6, 2023.

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 Financial Statements.

Risks and Uncertainties

Material uncertainties and near-term risks consist of the general financial uncertainty caused by the Russian invasion of Ukraine, high inflation, and the availability of labor. The Russian invasion of Ukraine has not had an immediate effect on the Company's business. The weakened economy and other indirect effects might affect the customers' ability to make investments in the long run. In addition, the change in the security environment increases the risk of cyber attacks.

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 general 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.

The Russian invasion of Ukraine and its impact on Financial Reporting

The company has no business operations in Russia or in Ukraine. The management of the company is continuously monitoring the Russian invasion of Ukraine and assessing its impact on the company's operations, strategy, realization of financial targets, performance, financial position, and cash flows.

The impairment tests of goodwill and capitalized development costs were performed during the last quarter of the financial year 2022. No need for impairment was identified, but a clear margin was left for each tested unit and project. No impairment losses were recognized in 2022 related to the goodwill of the group or to the merger losses of the parent company. 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 profit budget for 2023 and operating profit forecasts for the subsequent four years. The Russian invasion of Ukraine 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. However, due to the general economic uncertainty, high inflation and increased interest rates, the company has decided to prepare for possible credit losses by keeping the provision for credit losses unchanged, which was increased due to the COVID-19 pandemic. 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 Russian invasion of Ukraine has had no effect on their valuation so far.

The company has a EUR 23.0 million bond that matures on October 1, 2024. The company also has a EUR 5,000 thousand standby credit limit and a EUR 2,000 thousand bank account credit limit. At the end of the review period EUR 5,000 thousand of standby credit limit was used. At the end of the review period EUR 805 thousand of bank account credit limit was used. 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 negative impacts caused by the Russian invasion of Ukraine on its business operations.

Proposal of the Board of Directors on the Disposal of Profit for the Financial Year

At the end of financial year 2022, the distributable equity of the Group's parent company is 16,436,538.92 euros. Solteq Plc's Board of Directors proposes to the Annual General Meeting that for the financial year 2022, no dividend will be paid out.

The Board of Directors is of the opinion that there are no financial prerequisites for dividend pay-outs, or other kind of distribution of funds. According to the terms and conditions of the company debenture stock distribution of funds would lead to the expiration of the credit. The covenants of the bond do not permit distribution of funds based on the financial year 2022.

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

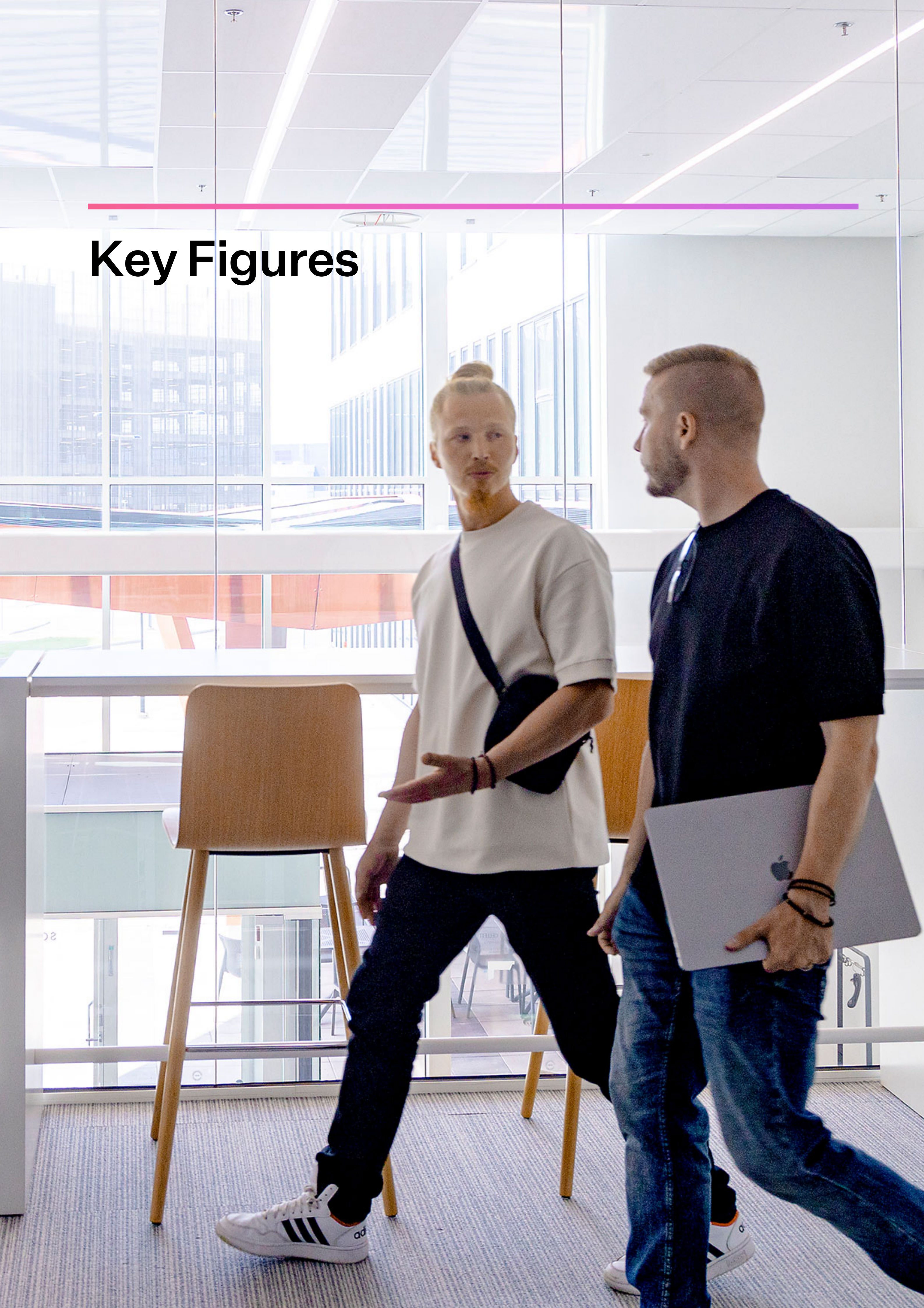
Corporate Governance Statement

Documentation on administration and governance structure is given as a separate report attached to the annual report.

Statement of Non-Financial Information

Statement of non-financial information is given as a separate report attached to the annual report.

Key Figures



Key Figures of the Group

Key figures outlining the group's financial development	2022	2021	2020	2019	2018
Revenue, MEUR	68.4	69.1	60.5	58.3	56.9
Change in revenue, %	-0.9	14.2	3.7	2.5	12.1
Operating result, MEUR	-4.4	7.1	5.4	5.7	2.5
% of revenue	-6.4	10.3	8.9	9.8	4.3
Result before taxes, MEUR	-6.6	5.2	2.7	3.7	0.6
% of revenue	-9.6	7.6	4.5	6.3	1.1
Return on equity, %	-21.4	15.0	7.8	12.1	1.7
Return on investment, %	-6.9	13.0	9.1	10.4	5.2
Equity ratio, %	30.3	36.9	35.5	32.0	32.4
Net investments in non-current assets, MEUR	9.2	7.1	5.5	4.6	8.3
% of revenue	13.5	10.3	9.0	7.9	14.6
Research and development costs, MEUR	3.7	2.8	3.0	3.9	2.3
% of revenue	5.4	4.1	5.0	6.7	4.0
Net debt, MEUR	31.4	25.9	26.5	31.5	22.9
Gearing, %	139.4	92.6	99.9	128.5	105.1
Average number of employees over the financial period	676	637	593	597	567

Group's key figures per share	2022	2021	2020	2019	2018
Earnings per share, EUR	-0.28	0.21	0.10	0.15	0.02
Equity per share, EUR	1.16	1.44	1.37	1.27	1.13
Dividends per share, EUR	0.00	0.00	0.15	0.00	0.00
Dividend from result, %	0.0	0.0	146.3	0.0	0.0
Effective dividend yield, %	0.0	0.0	5.4	0.0	0.0
Price–earnings ratio (P/E)	-4.4	22.1	27.3	10.3	70.1
Highest share price, EUR	4.94	7.16	3.7	1.65	1.64
Lowest share price, EUR	1.15	2.56	0.96	1.27	1.26
Average share price, EUR	2.81	5.08	1.95	1.44	1.49
Market value of the shares, TEUR	23,858	90,776	54,058	28,767	25,098
Shares trade volume, 1,000 pcs	13,024	25,148	6,720	808	827
Shares trade volume, %	67.1	129.7	34.8	4.2	4.3
Weighted average of the share issue corrected number of shares during the financial period, 1,000 pcs	19,397	19,382	19,307	19,307	19,202
Number of shares corrected by share issue at the end of the financial period, 1,000 pcs	19,397	19,397	19,307	19,307	19,202

Calculation of the Key Figures

Return on Equity (ROE), %:

$$\frac{\text{Profit for the financial period (rolling 12 months)}}{\text{Equity (average for the period)}} \times 100$$

Return on investment (ROI), %:

$$\frac{\text{Profit before taxes + Finance expenses (rolling 12 months)}}{\text{Balance sheet total - Interest free debt (average for the period)}} \times 100$$

Equity ratio, %:

$$\frac{\text{Equity}}{\text{Balance sheet total - Advances received}} \times 100$$

Net debt:

Interest bearing liabilities - Cash and cash equivalents

Gearing, %:

$$\frac{\text{Interest bearing liabilities - Cash and cash equivalents}}{\text{Equity}} \times 100$$

Earnings per share:

$$\frac{\text{Profit before taxes -/+ Minority interest}}{\text{Adjusted average basic number of shares}}$$

Diluted earnings per share:

$$\frac{\text{Profit before taxes -/+ Minority interest}}{\text{Adjusted diluted average number of shares}}$$

Equity per share:

$$\frac{\text{Equity}}{\text{Number of shares}}$$

Dividend per share:

$$\frac{\text{Dividend for the period}}{\text{Number of shares at the year-end}}$$

Dividend from result, %:

$$\frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$$

Effective dividend yield:

$$\frac{\text{Dividend per share}}{\text{Share price at the year-end}} \times 100$$

Price-earnings (P/E) ratio:

$$\frac{\text{Share price at the year-end}}{\text{Earnings per share}} \times 100$$

The market value of Company's shares:

The number of shares at the year-end x Share price at the year-end

EBITDA:
Operating result + Depreciations and impairments

Share of recurring revenue of the total revenue of Solteq Software segment:

$$\frac{\text{Recurring revenue / SaaS}}{\text{Total revenue of Solteq Software segment}}$$

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, and net debt. The calculation principles of these financial key figures are presented above, Calculation of the key figures.

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 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

Comparable EBITDA and Operating Profit (EBIT)

	2022			2021		
TEUR	**Solteq Digital**	**Solteq Software**	**Group**	**Solteq Digital**	**Solteq Software**	**Group**
Comparable EBITDA*	**5,759**	**641**	**6,400**	**7,969**	**4,587**	**12,556**
Comparable EBITDA, %	13.7	2.4	9.4	18.0	18.5	18.2
Operating profit (EBIT)	**3,228**	**-7,633**	**-4,406**	**5,563**	**1,560**	**7,123**
Items affecting comparability						
Acquisition costs		124	124		189	189
Cost of integrating the acquired business		24	24		7	7
Non-recurring severance packages	111	53	164	28	39	68
Fines and similar indemnities and damages		29	29			
Impairments	16	4,432	4,448			
Costs incurred by the re-organization of operations	353	152	506	25		25
Total items affecting comparability	**480**	**4,814**	**5,293**	**53**	**236**	**289**
Comparable operating profit (EBIT)	**3,707**	**-2,820**	**888**	**5,617**	**1,795**	**7,412**
Comparable operating profit, %	8.8	-10.7	1.3	12.7	7.3	10.7

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

Financial Statements

Consolidated Financial Statements

Consolidated Statement of Comprehensive Income

TEUR	Notes	1 Jan 2022 - 31 Dec 2022	1 Jan 2021 - 31 Dec 2021
Revenue	2.1, 2.2	**68,426**	**69,055**
Other income	2.4	166	113
Materials and services		-7,550	-7,903
Employee benefit expenses	2.3	-44,560	-40,312
Other expenses	2.4, 2.5	-10,928	-8,685
Depreciations and impairments	3.4	-9,960	-5,144
Operating profit		**-4,406**	**7,123**
Financial income	2.6	504	357
Financial expenses	2.6	-2,672	-2,235
Profit before taxes		**-6,574**	**5,245**
Income taxes	2.7	1,170	-1,145
Profit for the financial period		**-5,404**	**4,100**
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Currency translation differences		-61	-46
Other comprehensive income, net of tax		-61	-46
Total comprehensive income		**-5,465**	**4,055**
Earnings per share attributable to equity holders of the parent			
Earnings per share, EUR (undiluted)		-0.28	0.21
Earnings per share, EUR (diluted)		-0.28	0.21

Result for the financial year and total comprehensive income belong exclusively to the owners of the Parent Company.

Consolidated Statement of Financial Position

TEUR	Notes	31 Dec 2022	31 Dec 2021
Assets			
Non-current assets			
Tangible assets	3.1	64	244
Right-of-use assets	3.2	3,309	5,010
Intangible assets			
Goodwill	3.3	46,493	42,325
Other intangible assets	3.3	9,125	12,092
Other investments	5.3	437	438
Deferred tax assets	2.7	1,380	82
Trade and other receivables	4.1	269	116
Non-current assets total		**61,078**	**60,307**
Current assets			
Inventories	4.2	133	207
Trade and other receivables	4.1	11,068	11,705
Cash and cash equivalents	5.4	2,057	3,588
Current assets total		**13,258**	**15,500**
Total assets		**74,336**	**75,806**
Equity and liabilities			
Equity attributable to equity holders of the parent company			
Share capital	5.5	1,009	1,009
Share premium reserve	5.5	75	75
Distributable equity reserve	5.5	13,260	13,260
Retained earnings		8,195	13,660
Total equity		**22,539**	**28,004**
Non-current liabilities			
Deferred tax liabilities	2.7	759	610
Financial liabilities	5.2	24,179	24,217
Lease liabilities	5.2	1,694	3,330
Non-current liabilities total		**26,632**	**28,158**
Current liabilities			
Financial liabilities	5.2	5,928	
Trade and other payables	4.3	17,485	17,595
Provisions	4.4	78	73
Lease liabilities	5.2	1,673	1,976
Current liabilities total		**25,164**	**19,644**
Total liabilities		**51,797**	**47,802**
Total equity and liabilities		**74,336**	**75,806**

Consolidated Cash Flow Statement

TEUR	Notes	1 Jan 2022 - 31 Dec 2022	1 Jan 2021 - 31 Dec 2021
Cash flow from operating activities			
Profit for the financial period		-5,404	4,100
Adjustments for operating profit	2.9	10,275	7,096
Changes in working capital		852	514
Interests paid		-1,854	-1,772
Interests received		18	16
Net cash flow from operating activities		**3,887**	**9,955**
Cash flow from investing activities			
Business acquisitions		-5,109	-2,855
Investments in tangible and intangible assets		-3,454	-3,064
Net cash used in investing activities		**-8,563**	**-5,920**
Cash flow from financing activities			
Long-term loans, decrease	5.2	-8	
Short-term loans, increase	5.2	6,813	
Short-term loans, decrease	5.2	-1,194	
Payment of lease liabilities	5.2	-2,465	-2,415
Dividend payment			-2,909
Net cash used in financing activities		**3,145**	**-5,325**
Changes in cash and cash equivalents		**-1,531**	**-1,289**
Cash and cash equivalents at the beginning of period		3,588	4,877
Cash and cash equivalents at the end of period	5.4	**2,057**	**3,588**

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

TEUR	2022	2021
Cash and cash equivalents	2,057	3,588
Total	**2,057**	**3,588**

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 2021	**1,009**	**75**	**12,910**	**-99**	**12,613**	**26,509**
Profit for the financial period					4,100	4,100
Other items on comprehensive income				-46		-46
Total comprehensive income	**0**	**0**	**0**	**-46**	**4,100**	**4,055**
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 31 Dec 2021	**1,009**	**75**	**13,260**	**-144**	**13,805**	**28,004**
Equity 1 Jan 2022	**1,009**	**75**	**13,260**	**-144**	**13,805**	**28,004**
Result for the financial period					-5,404	-5,404
Other items on comprehensive income				-61		-61
Total comprehensive income	**0**	**0**	**0**	**-61**	**-5,404**	**-5,465**
Equity 31 Dec 2022	**1,009**	**75**	**13,260**	**-205**	**8,400**	**22,539**

Notes to Consolidated Financial Statements

1. GENERAL INFORMATION

1.1 Group Information

Solteq is a Nordic provider of IT services and software solutions specializing in the digitalization of business and industry-specific software. The key sectors in which the Company has long-term experience include retail, industry, energy, and services. The Company operates in Finland, Sweden, Norway, Denmark, Poland, and the UK.

The Group's Parent Company is Solteq Plc, whose business ID is 0490484-0. Solteq Plc is a Finnish public limited company whose shares are quoted on Nasdaq Helsinki Ltd. The Company is domiciled in Vantaa, Finland, with headquarters at: Karhumäenkuja 2, 01530 Vantaa. A copy of Solteq Plc's consolidated financial statements is available at www.solteq.com or from the headquarters in Vantaa.

Solteq Plc's Board of Directors approved these financial statements for publication in its meeting on February 15, 2023. Pursuant to the Finnish Limited Liability Companies Act, shareholders have the right to either accept or reject the financial statements at the Annual General Meeting held after publication. The Annual General Meeting also has the option of deciding that the financial statements be amended.

1.2 Basis of Preparation

Solteq's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) complying with the IAS and IFRS standards as well as the SIC and IFRIC interpretations valid as at December 31, 2022. International Financial Reporting Standards mean the standards and their interpretations that have been approved for adoption in the EU in accordance with the procedure No. 1606/2002 enacted in the Finnish Accounting Act and EU (EC) regulations laid down by the Act. The notes to the consolidated financial statements are also in accordance with the requirements of the Finnish Accounting and Companies legislation.

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

1.3 New and Amended Standards Applied in Financial Year

New and Amended Standards Adopted in 2022

The impact from new and amended standards issued during financial year 2022 are not considered to be material to the Group's financial reporting.

New or Amended IFRS Standards and Interpretations to be Applied in Future Financial Periods

The impact from other new and amended standards issued but not yet effective is not considered to be material to the Group's financial reporting.

1.4 Management Judgement and Use of Estimates

The preparation of the financial statement in accordance with the IFRS standards requires the Group management to make certain estimates and assumptions that affect the application of accounting policies.

The accounting policies and descriptions of management's judgment-based conclusions are mainly found in the notes to the financial statements. Only the general accounting policies are described in this section.

Accounting Policies Requiring Management Judgement and Significant Uncertainties Relating to Accounting

In preparation of the consolidated financial statements, estimates and assumptions regarding the future must be made. The end results may deviate from these assumptions and estimates. In addition, some judgement must be exercised in the application of the policies of the financial statements.

Management Judgement Regarding Selection and Application of Accounting Policies

The Group management uses judgement regarding selection and application of accounting policies. This applies especially to those cases where the IFRS standards and interpretations in effect have recognition, measurement and presentation alternatives.

Uncertainties Relating to Accounting Estimates

Accounting estimates in preparation of the financial statements are based on management's best estimate at the end of the financial period. These estimates and assumptions are based on experience and other reasonable assumptions, which are believed to be appropriate in the circumstances that form the basis on which the consolidated financial statements are prepared. Uncertainties are related to, inter alia, existing uncertainty in the assessment of project outcomes, valuation of accounts receivable, the measuring and recognition of deferred tax assets and the development of the overall financial environment. Possible changes in estimates and assumptions are recognized in accounting during the financial year when the estimate or assumption is revised, and all the periods after that.

2. FINANCIAL RESULT

2.1 Segment Reporting

Accounting Policy

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified the Group CEO. Segments are defined based on Group's business segments.

There are no significant mutual business transactions between the segments. The performance of the segments is estimated on the basis of EBITDA and operating profit. Group-level expenses are allocated to reportable business segments according to predetermined principles.

Solteq Group has two business segments: Solteq Software and Solteq Digital.

Solteq Software includes businesses 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 the related services such as integrations and implementation projects. The segment's business primarily consists of the Utilities business and the Retail sector's software and services.

The revenue of the Solteq Digital segment mainly comprises IT expert services. These services include consulting, the implementation of customer systems as projects, continuous development services and maintenance. The segment's business consists of three solution areas: commercial solutions; data-driven solutions; and business solutions.

	2022			2021		
TEUR	**Solteq Digital**	**Solteq Software**	**Group**	**Solteq Digital**	**Solteq Software**	**Group**
Revenue	42,142	26,284	68,426	44,302	24,753	69,055
EBITDA	5,295	260	5,555	7,916	4,352	12,267
EBITDA, %	12.6	1.0	8.1	17.9	17.6	17.8
Depreciations and impairments	-2,067	-7,893	-9,960	-2,352	-2,792	-5,144
Operating profit	3,228	-7,633	-4,406	5,563	1,560	7,123
Operating profit, %	7.7	-29.0	-6.4	12.6	6.3	10.3
Financial income and expenses			-2,168			-1,878
Profit before taxes			-6,574			5,245
Income taxes			1,170			-1,145
Profit for the financial period			-5,404			4,100

Revenue by country

Accounting Policy

Solteq operates in Finland, Sweden, Norway, Denmark, Poland, and the UK. The revenues of geographical areas are reported based on the geographical location of the seller.

TEUR	**2022**	**2021**
Finland	52,644	53,635
Other countries	15,783	15,421
Total	**68,426**	**69,055**

2.2 Revenue from Contracts With Customers

Accounting Policy

Solteq recognizes revenue based on the five-step model required by IFRS 15. The process involves defining the subject of the contract with the customer, the performance obligation based on it, the transaction price to be allocated and the allocation of the transaction price to the time of delivery, arising from the partial and/or complete satisfaction of the performance obligation.

The Company recognizes the majority of its service revenue over time. Service revenue mainly consists of general consulting based on time and materials as well as support and development services provided for the Company, for which the customer receives benefits as the service is produced (e.g. helpdesk and media services). The Company recognizes sales revenue evenly over time.

The Company is increasingly shifting towards Software as a Service (SaaS) solutions, which give customers access to software as a service in exchange for a pre-agreed monthly fee. For these services, the customer receives the benefits as the service is produced, and revenue is recognized evenly over time.

Solteq's revenue recognition principles for long-term contracts are based on the contract's measure of progress and the management's judgement. The Company defines the performance obligation of each delivery agreement and the transaction price allocated to it. The current policy is to subsequently assess the satisfaction of the performance obligation mainly by using the input method. In other words, the measure of progress towards complete satisfaction of the performance obligation is defined by assessing the ratio between the cumulative rate of utilization and costs of the project resources to the total resource and cost forecast for the performance obligation.

Guidelines concerning principal/agent considerations require the Company to recognize only the proportion of revenue for which the Company is responsible for the delivered product and service, for which the Company bears the inventory/credit risk and/or is able to freely set the market price of the product. In the event that the Company acts as a dealer and is not subject to the aforementioned obligations, the Company only recognizes revenue corresponding to the margin received from resale services. Revenue is always recognized based on the transfer of control, either over time or at a point in time. The third-party license and maintenance business includes, for example, the SAP, Microsoft NAV, IBM, Oracle and Informatica solutions provided by Solteq.

The primary services and products for which revenue is recognized at a point in time are related to the right to use software, products directly related to the right to use software and equipment separately provided for customers. In these cases, the right to use software, the functions and rights enabled by products directly related to that right and the ownership of the separately provided equipment are transferred to the customer at the time of delivery.

Contract Assets on the Balance Sheet

Contract assets on the balance sheet primarily consist of trade receivables. When an item is presented on the balance sheet under trade receivables, Solteq has an unconditional right to consideration for goods or services delivered to the customer. For long-term contracts, the Company presents a contract asset in its financial statements. The contract asset represents the right to consideration for goods and *services already delivered to the customer. An assessment in accordance with IFRS 9 standard is carried out regarding the impairment of contract assets and trade receivables.*

A contract liability is an obligation to transfer goods or services to the customer for which the Company has received consideration from the customer. If the customer pays consideration before a good or service is transferred to the customer, the Company presents a contract liability in its financial statements when the customer has made the payment. Contract liabilities are primarily related to long-term contracts.

Estimating Variable Consideration

Solteq's contracts with customers may include variable consideration components, such as penalties for late project delivery. The management's judgement is that, as a rule, the level of uncertainty concerning the amount of consideration to be received is low. The Company estimates variable consideration components particularly at the end of each reporting period.

Contract Costs

Solteq does not have significant incremental costs of obtaining contracts.

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.

Solteq Digital

TEUR	2022	2021
Services	39,240	41,692
Software and hardware sales	2,902	2,610
Total	**42,142**	**44,302**

Solteq Software

TEUR	2022	2021
Services	14,180	15,308
Recurring revenue / SaaS	9,827	7,789
Non-recurring sales	2,277	1,656
Total	**26,284**	**24,753**
Group total	**68,426**	**69,055**

Contract balances

TEUR	2022	2021
Trade and other receivables	8,499	9,891
Contract assets	387	500
Contract liabilities	-563	-527

Contract assets

TEUR	2022	2021
Contract assets on Jan 1	**500**	**240**
Transfers from contract assets to receivables	-433	-172
Increases as a result of changes in the measure of progress	321	432
Contract assets on Dec 31	**387**	**500**

Contract liabilities

TEUR	2022	2021
Contract liabilities on Jan 1	**-527**	**-312**
Revenue recognized from contract liabilities	474	272
Increases due to cash received, excluding amounts recognized as revenue during the period	-512	-486
Contract liabilities on Dec 31	**-564**	**-527**

The Group expects to meet a significant part of outstanding performance obligations during the reporting period 2023.

2.3 Employee Benefit Expenses

Accounting Policy

Pension arrangements are classed as defined benefit plans and defined contribution plans. The Group has only defined contribution plans. Payments under the Finnish pension system and other contribution-based pension schemes are recognized as expenses as incurred.

TEUR	**2022**	**2021**
Salaries and wages	37,273	33,987
Pension expenses - defined contribution plan	5,876	5,185
Other personnel expenses	1,411	1,141
Total	**44,560**	**40,312**
Average number of employees over the financial period	**676**	**637**

Information on management's employee benefits is presented in note 6.2 Related party transactions.

2.4 Other Income and Expenses

Accounting Policy

Other operating income and expenses includes income and expenses that are not considered as being directly linked to the group's business operations. These items include, for instance, gains and losses on the sale of fixed assets and business operations, expenses and allowances for credit losses as well as the corresponding cancellations.

Government Grants

Government grants that compensate for expenses incurred are recognized in the income statement when the expenses are recognized. These grants are presented in other income. If the government grant relates to the product development cost to be capitalized, the grant received reduces the cost to be capitalized and it is recognized in the form of lower depreciation expense during the useful life of the asset.

Other income

TEUR	**2022**	**2021**
Government grants	3	43
Income resulting from the sales of assets and business operations	83	1
Other income	80	69
Total	**166**	**113**

Other expenses

TEUR	2022	2021
Telephone and telecommunication costs	711	626
Voluntary personnel expenses	870	726
Rental and other office related expenses	1,751	1,400
Hardware and software expenses	1,770	1,561
Car and travel expenses	673	241
External services	3,493	2,798
Bad debts	57	15
Warranty provisions	5	12
Other expenses	1,600	1,306
Total	**10,928**	**8,685**

Lease expenses

TEUR	2022	2021
Depreciation of right-of-use assets	2,288	2,418
Interest expense from lease contracts	212	273
Costs from short-term lease contracts	20	26
Costs from low-value asset lease contracts	847	702
Total	**3,367**	**3,419**

Auditor's fees

TEUR	2022	2021
Auditing	148	141
Certificates and statements	7	10
Tax consulting	11	16
Other services	74	41
Total	**239**	**208**

The non-audit services charged by KPMG Oy Ab to Solteq Group companies in the financial year 2022 were EUR 85 thousand (57).

2.5 Research and Development Costs

Accounting Policy

Research costs are recorded as expenses in the income statement. Development cost for new or substantially improved product or service processes are capitalized in the balance sheet as intangible assets from the date when the product is technically and commercially feasible and it is expected to bring *financial benefit. Development costs previously expensed will not be capitalized at a later date. Assets are amortized from the date when they are ready for use. Assets that are not yet ready for use are tested annually for impairment. Development expenses that have been capitalized have a useful life of 3 to 5 years, during which capitalized assets are expensed on a straight-line basis.*

The income statement includes a total of EUR 542 thousand (176) of research and development costs recognized as expense in 2022.

2.6 Financial Income and Expenses

Accounting Policy

Interest income is recognized using the effective interest rate method and dividend income at the time when the right to the dividend arises.

Borrowing costs are recognized as an expense in the period in which they incur. If there are certain known criteria concerning qualifying asset, the borrowing costs are capitalized. Transaction costs directly attributable to acquisition of loans which clearly relate to a certain loan are included in the original amortized cost of the loan and are expensed using effective interest method.

Any exchange rate gain or loss from transactions in foreign currencies has been recognized in the financial statements under financial income and expense.

Financial Income

TEUR	**2022**	**2021**
Interest income	15	12
Foreign currency exchange income	416	342
Other financial income	69	
Dividend income	3	3
Total	**504**	**357**

Financial Expenses

TEUR	**2022**	**2021**
Interest expenses from financial expenses in amortized costs	1,612	1,505
Interest expense on lease liabilities	212	273
Foreign currency exchange expenses	537	384
Other financial expenses	312	73
Total	**2,672**	**2,235**

For the financial year 2022, EUR 198 thousand in other financial expenses were related to the fees for changing the terms of the bond.

2.7 Income Taxes

Accounting Policy

Tax expenses for the financial period comprise current tax based on the taxable income of the financial period and deferred taxes. Tax calculated from the taxable income of the financial period is based on the tax rate prevailing in each country. Taxes are adjusted with possible taxes relating to previous financial periods.

Deferred taxes are calculated from temporary differences between book value and taxable value. Deferred taxes are not recognized on temporary differences arising from goodwill impairment losses that are not tax deductible. Deferred taxes are neither recognized on undistributed profit from subsidiaries when the differences are unlikely to reverse in the foreseeable future.

Deferred taxes are calculated using the tax rates enacted at the end of the financial period. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available, against which the temporary differences can be utilized.

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

TEUR	2022	2021
Tax based on the taxable income for the period	141	1,223
Taxes from previous periods	-45	11
Deferred taxes	-1,266	-89
Total	**-1,170**	**1,145**

TEUR	2022	2021
Result before taxes	-6,574	5,245
Taxes based on domestic tax rate	-1,315	1,049
Difference in local tax rates		10
Non-deductible expenses	37	26
Exempt from taxes	-1	
Utilization of tax losses carried forward		-82
Unrecognized deferred tax assets for unrealized losses	105	51
Revaluation of deferred taxes	-8	-15
Other items	56	95
Taxes from previous periods	-45	11
Taxes on the income statement	**-1,170**	**1,145**

Deferred Tax Assets and Liabilities

Changes in Deferred Taxes:

TEUR	1 Jan 2021	Recognized on the income statement	Acquisition of subsidiaries and businesses	31 Dec 2021	Recognized on the income statement	Acquisition of subsidiaries and businesses	31 Dec 2022
Deferred tax assets:							
Provisions	12	2		15	1		16
Postponed depreciations	4	33		38	9		47
From the loss of the financial period					1,244		1,244
Other items	54	40		94	-51	31	74
Netted with deferred tax liabilities	-31	0		-64			0
Total	**40**	**76**	**0**	**82**	**1,202**	**31**	**1,380**
Deferred tax liabilities:							
Tax-deductible goodwill	0		78	78	94		172
Allocated intangible liabilities	441	-152	90	378	-169	106	315
Other items	157	61		218	54		272
Netted with deferred tax assets	-31			-64			0
Total	**567**	**-92**	**168**	**611**	**-21**	**106**	**759**

For the financial year 2022, the parent company's loss has been booked in full as a deferred tax asset, as it is likely that taxable income will be generated in the future against which it can be utilized. No deferred tax assets have been booked for the losses of foreign subsidiaries due to the uncertainty regarding their utilization.

At the end of 2022, the Group had EUR 3,286 thousand (3,180) of deductible unused losses and tax credits for which no deferred tax assets have been recognized because the realization of the tax benefit is not likely. These losses and tax credits do not have an expiration period or are more than five years. Unrecognized losses and tax credits relate to the Group's foreign subsidiaries.

2.8 Earnings per Share

Accounting Policy

Undiluted EPS is calculated by dividing the profit attributable to equity holders of the Parent Company by the weighted average number of shares outstanding.

When calculating the result per share, the weighted average will also have to consider the dilutive impact of the shares owned by the Company.

	2022	2021
Profit for the financial period attributable to equity holders of the parent company (TEUR)	-5,404	4,100
Weighted average of the number of shares during the financial period (1 000)	19,397	19,382
Undiluted EPS (EUR/share)	-0.28	0.21

There were no diluting factors during the financial year 2022 nor the comparison period 2021.

2.9 Adjustments to Cash Flow from Business Operations

Significant events are listed in the cash flow statement. Significant adjustments to cash flow from business operations are due to depreciations and impairments made during the financial period, EUR 9 960 thousand (5,144).

3. TANGIBLE AND INTANGIBLE ASSETS

3.1 Tangible Assets

Accounting Policy

Tangible assets consist mainly of machines and equipment. They are measured at historical cost less accumulated depreciation and possible impairment losses.

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

Machinery and equipment	*2 - 5 years*

Other tangible assets have consisted of works of art which are not depreciated.

The residual values and useful lives are reviewed at each reporting date and, when necessary, are corrected to reflect any possible changes in expected future economic benefit.

Gains and losses from disposal and divestment of tangible assets are recognized under other income or expenses.

Tangible Assets

TEUR	Machinery and equipment	Other tangible assets	Prepayments	Total
Acquisition cost 1 Jan 2022	2,569	55	56	2,679
FX rate differences	2			2
Additions	20			20
Disposals	-109	-21	-56	-186
Acquisition cost 31 Dec 2022	**2,482**	**34**	**0**	**2,515**
Accumulated depreciation and impairment 1 Jan 2022	2,408	27		2,435
FX rate differences	1			1
Depreciation	108	3		111
Accumulated depreciation on disposals	-96			-96
Accumulated depreciation and impairment 31 Dec 2022	**2,421**	**30**	**0**	**2,452**
Book value 1 Jan 2022	161	28	56	244
Book value 31 Dec 2022	60	4		64
Acquisition cost 1 Jan 2021	2,566	52	56	2,674
FX rate differences	15			15
Additions	9	3		12
Disposals	-22			-22
Acquisition cost 31 Dec 2021	**2,569**	**55**	**56**	**2,679**
Accumulated depreciation and impairment 1 Jan 2021	2,217	24		2,241
FX rate defferences	1			1
Depreciation	210	3		213
Accumulated depreciation on disposals	-19			-19
Accumulated depreciation and impairment 31 Dec 2021	**2,408**	**27**		**2,435**
Book value 1 Jan 2021	349	28	56	433
Book value 31 Dec 2021	161	28	56	244

3.2 Right-of-Use Assets

Accounting Policy

IFRS 16 standard requires lessees to recognize the lease agreements in the balance sheet as right-of-use assets and lease liabilities. Solteq is a lessee and mainly leases business premises. 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.

Solteq applies the reliefs allowed by IFRS 16 for short-term agreements and low-value commodities per agreement.

Right-of-Use Assets

TEUR	**Premises**	**Machinery and equipment**	**Right-of-Use assets total**
Acquisition cost 1 Jan 2022	9,768	6,613	16,381
FX rate differences	-30		-30
Additions *	873	239	1,112
Disposals	-427	-227	-653
Acquisition cost 31 Dec 2022	**10,185**	**6,625**	**16,810**
Accumulated depreciation and impairment 1 Jan 2022	5,463	5,909	11,371
Depreciation	2,068	219	2,287
Accumulated depreciation on disposals	-158		-158
Accumulated depreciation and impairment 31 Dec 2022	**7,373**	**6,128**	**13,500**
Book value 1 Jan 2022	4,305	705	5,010
Book value 31 Dec 2022	2,812	497	3,309
Acquisition cost 1 Jan 2021	9,357	6,601	15,958
FX rate differences	-16	2	-14
Additions *	531	162	694
Disposals	-104	-152	-257
Acquisition cost 31 Dec 2021	**9,768**	**6,613**	**16,381**
Accumulated depreciation and impairment 1 Jan 2021	3,581	5,444	9,025
Depreciation	1,953	464	2,418
Accumulated depreciation on disposals	-72		-72
Accumulated depreciation and impairment 31 Dec 2021	**5,463**	**5,909**	**11,371**
Book value 1 Jan 2021	5,776	1,157	6,933
Book value 31 Dec 2021	4,305	705	5,010

*Including changes to lease contracts.

Minimum Leases Payable Based on Short-Term and Low-Value Lease Agreements

TEUR	2022	2021
Within a year	782	801
More than one year	747	841
Total	**1,530**	**1,642**

3.3 Intangible Assets

Accounting Policy

An intangible asset is recognized in the balance sheet only if the asset's acquisition cost can be reliably measured and if it is probable that future economic benefits will flow to the entity. Intangible assets with a finite useful life are recognized in the balance sheet at historical cost and are amortized on a straight-line basis during their useful life. Estimated amortization periods are as follows:

Development costs	*3 - 5 years*
Intangible rights	*3 - 10 years*
Other intangible assets	*3 - 10 years*

Government Grants

Government grants, such as grants from public institutions for acquisition of intangible assets, are deducted from the carrying amount of the asset when it is reasonably certain that they will be received, and the Group fulfils the requirements to receive such grants. Grants are recognized in the form of lower depreciation expense during the useful life of the asset.

Goodwill

The goodwill deriving from merging businesses is booked to the amount with which the remuneration is exceeding the Group's part of the acquired net equity's value. The remuneration includes also the portion held by the owners without mastery rights, as well as the portion which has already previously been held by the Company.

Goodwill is not amortized but is tested annually for impairment. For this purpose, the goodwill is allocated to cash-generating units. The goodwill is valued at the original acquisition cost less impairment losses.

Impairments of the Tangible and Intangible Assets

The Company estimates at the end of each financial period whether there is any indication of impairment on any asset. In the event of any such indication, the recoverable amount of the asset is estimated. Recoverable amounts are also estimated annually on the goodwill and intangible assets not yet available for use regardless of whether there is any indication of impairment. Need for impairment is monitored at the cash-generating unit level, that is, at the level of units that are independent from other units and whose cash flows can be separated from other cash flows.

Recoverable amount is the greater of the asset's fair value less selling costs or its value in use. Value in use is defined as the present value of the future cash flows expected to be derived from an asset or a cash generating unit. In the calculation of present value, discounting percentage is pretax rate which reflects the market's view of time value of money and asset-specific risks.

Impairment loss is recognized when the asset's carrying amount is higher than its recoverable amount. Impairment loss is immediately recognized in the income statement. If the impairment loss is allocated to a cash-generating unit, it is first allocated to decrease the carrying amount of any goodwill allocated to the cash-generating unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Impairment loss is reversed, if circumstances change and the asset's recoverable value has changed from the time of the recognition of the impairment loss. Reversal amount cannot, however, be higher than the asset's book value would be without the recognition of the impairment loss. Impairment loss on goodwill is not reversed under any circumstances.

Impairment Test

The Group carries out annual tests for the possible impairment of goodwill and intangible assets not yet available for use, and indications of impairment are evaluated in accordance with the principles described earlier. Recoverable amount of cash-generating units is defined with calculations based on value in use. These calculations require the use of estimates.

TEUR	Payments in advance and uncompleted actions	Goodwill	Development costs	Intangible rights	Other intangible assets	Total
Acquisition cost 1 Jan 2022	4,687	44,524	9,634	12,473	846	72,164
Acquisition of subsidiary		4,265		421		4,685
FX rate differences		-96				-96
Additions	3,586		401	99		4,086
Disposals	-4,360			-1		-4,361
Transfers between items	-2,520		2,520			0
Acquisition cost 31 Dec 2022	**1,393**	**48,692**	**12,555**	**12,992**	**846**	**76,478**
Accumulated amortization and impairment 1 Jan 2022		2,199	4,791	9,911	846	17,747
Amortization			1,863	1,250		3,113
Accumulated amortization on disposals				-1		-1
Accumulated amortization and impairment 31 Dec 2022		**2,199**	**6,653**	**11,161**	**846**	**20,859**
Book value 1 Jan 2022	4,687	42,325	4,843	2,562	0	54,416
Book value 31 Dec 2022	1,393	46,493	5,901	1,831	0	55,619
Acquisition cost 1 Jan 2021	3,805	41,148	7,708	11,953	846	65,460
Acquisition of subsidiary		3,399		448		3,847
FX rate differences		-23				-23
Additions	2,807			72		2,879
Transfers between items	-1,925		1,925			0
Acquisition cost 31 Dec 2021	**4,687**	**44,524**	**9,634**	**12,473**	**846**	**72,164**
Accumulated amortizations and impairment 1 Jan 2021		2,199	3,419	8,770	846	15,234
Amortization			1,372	1,141		2,513
Accumulated amortization on disposals						
Accumulated amortization and impairment 31 Dec 2021		**2,199**	**4,791**	**9,911**	**846**	**17,747**
Book value 1 Jan 2021	3,805	38,949	4,289	3,183	0	50,226
Book value 31 Dec 2021	4,687	42,325	4,843	2,562	0	54,416

In the financial year 2022, a total of EUR 182 thousand (563) of government grants related to the acquisition of intangible assets were received.

Impairment

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

The book value of the goodwill in the group on 31 December 2022 was EUR 46,493 thousand (42,325). At the end of the financial period, there were investments in progress in development projects of a value of EUR 1,393 thousand (4,687).

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 profit budget for 2023 and operating profit forecasts for the subsequent four years.

The discount rate of 12.31 percent used in the calculations is the weighted average cost of capital after taxes (equals 15.4 percent before taxes).

Based on testing performed in 2022, no need was found for recognizing impairment losses: a clear margin was left for each tested unit. No impairment losses were recognized in 2021 related to the goodwill of the group or merger losses of the Parent Company. During the review period, Solteq Plc wrote off EUR 4,418 thousand in product development costs relating to the Solteq Robotics business.

Goodwill of Tested Units that Generate Cash Flow

TEUR	**2022**	**2021**
Solteq Digital	28,507	28,562
Solteq Software	17,986	13,762
Total	**46,493**	**42,325**

Development costs in progress have been tested with use value calculations. The expected return has been discounted to present value. The interest rate used in the calculations is 12.31 percent after tax. Based on the calculations, there is no need for write-down in the financial year.

Sensitivity Analysis

A summary of unit-specific sensitivities is below:

- In Solteq Software segment, there will be need for write-downs, if the operating profit decreases by 6.1 percentage units or the discount rate increases by 4.3 percentage units.
- In Solteq Digital segment, there will be need for write-downs, if the operating profit decreases by 6.3 percentage units or the discount rate increases by 7.6 percentage units.

3.4 Depreciation, Amortization, and Impairment

TEUR	2022	2021
Depreciations by asset group		
Intangible assets		
Development costs	1,863	1,372
Intangible rights	1,250	1,141
Total	**3,113**	**2,513**
Tangible assets		
Machinery and equipment	111	213
Right of use asset depreciation	2,288	2,418
Total	**2,399**	**2,632**
Impairments*	**4,449**	**0**
Total depreciations and impairments	**9,960**	**5,144**

* Mainly related to the write-offs of the Solteq Robotics business

4. OPERATIONAL ASSETS AND LIABILITIES

4.1 Trade and Other Receivables

TEUR	2022	2021
Trade receivables	8,499	9,891
Contract assets	387	500
Accrued income	2,188	1,333
Other receivables	262	96
Total	**11,337**	**11,820**

Contract assets are related to ongoing long-term projects which are recognized based on rate of completion. Significant items included in prepayments and accrued income relate to normal business accruals.

The Aging of Accounts Receivable and Items Recorded as Impairment Losses:

TEUR	2022	Impairment losses	Net 2022	Probability of losses	Presumed losses	2021	Impairment losses	Net 2021	Probability of losses	Presumed losses
Not due	7,623		7,623			8,637		8,637		
Due	1,321	-57	1,265		55	1,769	-15	1,754		54
Under 30 days	991		991			1,295		1,295		
31-60 days	108		108			260		260		
61-90 days	72		72			38		38		
More than 90 days	150	-57	93	59.0	55	177	-15	161	33.8	54
Total	**8,944**	**-57**	**8,888**		**55**	**10,406**	**-15**	**10,390**		**54**

All current receivables are denominated in euros. There are no significant concentrations of risk related to receivables. Historically there has not been significant impairment losses. The balance sheet values correspond to the maximum amount of credit risk. Because the receivables are current their fair value is equivalent to carrying value.

4.2 Inventories

TEUR	2022	2021
Finished goods	133	207
Total	**133**	**207**

4.3 Trade and Other Payables

TEUR	2022	2021
Trade payables	3,916	5,041
Accruals and deferred income	8,613	7,510
Other liabilities	4,956	5,043
Total	**17,485**	**17,595**

Current liabilities are denominated in euros and their fair values equal their book values. Significant items included in accruals and deferred income relate to usual accruals for business operations. Withheld taxes for paid wages and salaries, social security payments and other social security related items to be accounted for in connection with tax withholding, as well as VAT liability are disclosed in other payables.

4.4 Provisions

Accounting Policy

Provision is recognized when the Group has a present legal or constructive obligation as a result of a past event, realization of the payment obligation is probable, and the amount of the obligation can be reliably estimated. Provisions are valued at the present value required to cover the obligation. Present values are determined by discounting the expected future cash flows at a pre-tax rate that reflects the market's view of that moment's time value and risks associated with the obligation. If part of the obligation is possible to be covered by a third party, the obligation is recognized as a separate asset, but only once this coverage is virtually certain.

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

TEUR	Warranty provisions	Total
31 Dec 2021	**73**	**73**
Additional provisions	5	5
31 Dec 2022	**78**	**78**

Warranty Provisions

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

5. CAPITAL STRUCTURE AND FINANCIAL ITEMS

5.1 Financial Risk Management and Capital Management

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

Credit Risk

The Company's operating style defines the customers' and investment transactions' creditworthiness demands and investment principles. The Company does not have any significant credit risk concentrations in its receivables, because it has a wide customer base, and it gives credit only to companies who have an unblemished credit rating. During the financial period, the effect of credit losses has not been significant. The Company's credit risk's maximum amount is the carrying value of financial assets as at December 31, 2022.

Liquidity Risk

The Company monitors and estimates continuously the amount of funds needed to run the business operations, so that the Group will, at all times, retain enough liquid assets to fund the operation and repay debts that fall due. The availability of funding and its flexibility is ensured by unused credit limits and by using a number of different banks and financing methods in the procurement of funding. The Company has a standby credit limit of EUR 5,000 thousand and a bank account credit limit of EUR 2,000 thousand. At the end of the review period, EUR 5,000 thousand of the standby credit limit and EUR 805 thousand of the bank account credit limit was in use.

On October 1, 2020, Solteq issued a fixed rate bond with a nominal value of EUR 23.0 million. Annual interest of 6.0 percent is paid on the bond, and it will mature on October 1, 2024. The bond can be redeemed before its final maturity date.

Interest Rate Risk

The Company's income and operative cash flows are mainly free from market rate fluctuation effects. Company is able to take out either fixed rate or fluctuating rate loans and to use interest rate swaps to achieve its objective relating to the financial principles.

With the current financial structure, the Company is not exposed to significant interest rate risk related to the market rate fluctuation, because only the credit limits used to control the liquidity risk are tied to market rates. The most of the Company's interest-bearing liabilities consists of fixed rate bond totaling to EUR 23,000 thousand and lease agreements with fixed interest rates.

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

Currency Rate Risk

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

Capital Management

The objective for the Group's capital management is to secure the continuance of activities (going concern) and increase in shareholder value. The capital structure can be managed among other things through decisions regarding dividend distribution and return of equity, purchase of own shares as well as share issues.

The financial covenants concerning the Company's bond (EUR 23,000 thousand at the end of the financial year) and the account limits and liquidity limits (EUR 7,000 thousand at the end of the financial year) are tied to the terms of the bond, which are monitored regularly. The bond will mature on October 1, 2024.

The terms and conditions of the Bond contain financial and other covenants as well as the prerequisites for early maturity and repurchase. The financial covenants concerning the distribution of funds and incurring financial indebtedness other than permitted in the terms of the Bond (Incurrence Covenant) require that 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 covenants concerning the distribution of funds and incurring financial indebtedness other than permitted under the terms of the bond are not fulfilled based on the financial year 2022. The fulfillment of the covenants is always reviewed based on the last reported 12-month period. Violations of the above-mentioned financial covenants of the bond do not, as such, lead to the right to demand immediate repayment of the bond, but they limit the distribution of the company's funds and incurring financial indebtedness other than permitted under the terms of the bond.

In addition, the Bond Issue includes other covenants related to divestment of assets, negative pledge, changes in the nature of business, related party dealings, use of credit limits, listing of the Bond, and to preserving and maintaining intellectual property rights. In addition, it includes an obligation of early repayment associated with a change in the control of the Company as well as maturity conditions related to a merger, de-merger, discontinuation of business, failures to pay and insolvency. The terms of the bond are available as a whole at Company's website.

5.2 Financial Assets and Liabilities

Accounting Policy

Financial assets are classified into the following categories based on the Group's business model for the management of financial assets and their contractual cash flow characteristics: measured at amortized cost and measured at fair value through profit or loss. The classification is based on the objective of the business model and the contractual cash flows of the investments, or by applying the fair value alternative at the time of initial acquisition.

The purchases and sales of financial assets are recognized on the transaction date, which is the date on which the Group commits to buying or selling the financial instrument. At initial recognition, the Group measures a financial asset at fair value and, if the item in question is an item that is not classified as measured at fair value through profit or loss, the transaction costs that are directly attributable to the item are added to, or deducted from, the item. Transaction costs are included in the original carrying amount of financial assets for items that are not measured at fair value through profit or loss. Financial assets measured at fair value through profit or loss are recognized at fair value on the balance sheet at initial recognition and the transaction costs are recognized through profit or loss.

Financial assets measured at amortized cost consist of trade receivables and other receivables. They are initially measured at fair value and subsequently at amortized cost using the effective interest rate method.

For trade receivables, expected credit losses are estimated using the simplified approach described in IFRS 9. The simplified approach involves assessing credit losses using a provision matrix and recognizing credit losses at an amount corresponding to lifetime expected credit losses. Expected credit losses are estimated based on historical data on previous actual credit losses, and the model also takes into consideration the information available at the time of assessment regarding future economic conditions. Expected credit losses are recognized in the income statement under other expenses.

Financial assets recognized at fair value through profit or loss consist of shares and they are included in non-current assets, except where the intention is to hold them for a period of less than 12 months from the financial statements date, in which case they are included in current assets. On the financial statements date, the Group's other investments consisted of unlisted shares.

Financial liabilities are initially recognized at fair value. Transaction costs are included in the financial liability value at the initial measurement. Later all financial liabilities are valued at amortized cost using the effective interest method. Financial liabilities are classified under non-current and current liabilities which can be either interest-bearing or interest-free.

Determination of Fair Value

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

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

TEUR	**2022 Book value**	**2022 Fair value**	**2021 Book value**	**2021 Fair value**
Financial liabilities at amortized cost				
Non-current				
Bond	22,839	22,839	22,755	22,755
Loans from financial institutions	1,340	1,340	1,463	1,463
Lease liabilities	1,694	1,694	3,330	3,330
Total	**25,873**	**25,873**	**27,548**	**27,548**
Current				
Loans from financial institutions	5,928	5,928		
Lease liabilities	1,673	1,673	1,976	1,976
Total	**7,601**	**7,601**	**1,976**	**1,976**

The fair value of the financial liabilities is mainly the same as the book value.

Financial liabilities, including finance lease liabilities and the interest rate swap are categorized at fair value level 2.

Cash Flow Notes: Non-Cash Flow Related Changes

TEUR	31 Dec 2021	Cash flows	Transfer from non-current to current	New financial lease contracts	*)Other changes	31 Dec 2022
Non-current liabilities	24,217	-8	-123		92	24,179
Current liabilities	0	5,805	123			5,928
Lease liabilities	5,307	-2,465		1,111	-584	3,368
Total financing liabilities	**29,524**	**3,332**	**0**	**1,111**	**-492**	**33,475**

*) The cumulative effective interests during the financial period, which are valuated to the acquisition costs, and disposals of lease liabilities.

Maturity of Financial Leases:

TEUR	Book value	Contractual cash flows	1-12 months	13-24 months	25-36 months	Later
Financial liabilities, Dec 31 2022						
Bond	22,839	25,766	1,383	24,383		
Loans from financial institutions	1,463	1,525	95	414	359	657
Lease liabilities	3,368	3,486	1,803	1,351	326	5
Trade payables	3,916	3,916	3,916			
Financial liabilities total	**31,585**	**34,693**	**7,197**	**26,148**	**686**	**663**
Financial liabilities, Dec 31 2021						
Bond	22,755	27,149	1,383	1,383	24,383	
Loans from financial institutions	1,463	1,537	12	95	414	1,017
Lease liabilities	5,307	5,407	2,171	1,633	1,352	251
Trade payables	5,041	5,041	5,041			
Financial liabilities total	**34,565**	**39,134**	**8,607**	**3,111**	**26,149**	**1,267**

In 2022, the average interest rate of the loans was 6.0 percent (6.0). All financial liabilities are denominated in euros.

On October 1, 2020, Solteq issued a fixed rate bond with a nominal value of EUR 23.0 million. Annual interest of 6.0 percent is paid on the bond, and it will mature on October 1, 2024. The bond can be redeemed before its final maturity date.

In the fourth quarter of 2022, efforts were also made to ensure the flexibility of financing for the current financial year. The company initiated a written procedure to amend the terms and conditions of its EUR 23 million senior unsecured fixed rate notes. Due to the approved amendments to the terms and conditions, the working capital facility was increased from EUR 7 million to EUR 10 million. The increased flexibility in financing is a good thing for the company, although we strive to develop our business in a way that doesn't require additional debt.

5.3 Other Investments

TEUR	2022	2021
Beginning of financial period	**438**	**441**
Change	-1	-3
End of financial period	**437**	**438**

The item includes unquoted shares. Fair value is estimated to correspond to book value (fair value hierarchy level 3).

5.4 Cash and Cash Equivalents

Accounting Policy

Cash and cash equivalents consist of cash and bank deposits that can be withdrawn on demand. Account with overdraft facility is included in current financial liabilities. Unused overdraft facility has not been recognized in the balance sheet.

TEUR	2022	2021
Cash and cash equivalents	2,057	3,588
Total	**2,057**	**3,588**

5.5 Equity

Accounting Policy

Costs relating to the acquisition of own shares are deducted from the equity. If Solteq Plc acquires its own shares, the acquisition costs are deducted from the equity.

Below is the reconciliation of the number of shares:

TEUR	Number of shares (1 000)	Share capital	Share premium reserve	Invested unrestricted equity reserve	Total
Beginning of financial period	**19,397**	**1,009**	**75**	**13,260**	**14,344**
End of financial period	**19,397**	**1,009**	**75**	**13,260**	**14,344**

The maximum number of shares is 28,000 thousand (28,000). The shares have no nominal value. The Group's maximum share capital according to the articles of association is EUR 2,400 thousand (2,400).

The reserves included in equity are as follows:

Share Premium Reserve

A reserve to be used in accordance with the old Companies Act § 12:3a.

Invested Unrestricted Equity Reserve

In accordance with the Companies Act 8:2 §, the proportion of payments received from shares that is not recognized as share capital is recognized in this reserve.

Reserve for Own Shares

Reserve for own shares consists of acquisition cost of own shares acquired by the Group. There were no own shares in Solteq Plc's possession at the end of the financial year 2022 nor 2021.

Dividends

At the end of the financial year 2022, the distributable equity of the Group's parent company is EUR 16,436,538.92. Solteq Plc's Board of Directors proposes to the Annual General Meeting that for the financial year 2022, no dividend will be paid out.

The Board of Directors is of the opinion that there are no financial prerequisites for dividend pay-outs, or other kind of distribution of funds. According to the terms and conditions of the company debenture stock distribution of funds would lead to the expiration of the credit. The covenants of the bond do not permit distribution of funds based on the financial year 2022.

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

5.6 Conditional Debts and Liabilities

Accounting Policy

Contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Also, present obligation that is not probable to cause liability to pay or the amount of obligation cannot be measured with sufficient reliability are considered contingent liabilities. Contingent liabilities are disclosed as notes to the financial statements.

TEUR	**2022**	**2021**
Collateral given on our own behalf		
Business mortgages	10,000	10,000
Total	**10,000**	**10,000**

Until the issuance of the bond the business mortgages as well as the pledged shares are given as collateral by the Parent Company for credit limits and long-term loans.

6. OTHER NOTES

6.1 Consolidation Principles and Group Companies

Accounting Policy

Consolidated financial statements include Solteq Plc and its subsidiaries.

Subsidiaries are companies in which the Group exercises control. Control is defined as the Group having exposure, or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the returns.

The Group's mutual shareholdings have been eliminated using the acquisition method. Companies acquired are included in the consolidated financial statements from the date when the Group has acquired right of control and subsidiaries sold until the date when the right of control seizes. All intercompany business transactions, receivables, debts, and unrealized profits as well as internal distribution of profit are eliminated in the preparation of the consolidated financial statements. Unrealized losses are not eliminated if they are caused by impairment.

Figures on the result and the financial position of the Group's entities are measured in the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in euros, which is the Parent Company's functional and presentation currency.

Transactions in foreign currencies have been recorded in the functional currency, using the event date's rate of exchange or one that is approximately the same. At the time of closing the annual accounts, receivables and debts in foreign currencies have been converted to functional currency at the exchange rate of that date.

Group's Parent Company and subsidiary relations 31 December 2022 are as follows:

Company	Domicile	Share of ownership (%)	Share of votes (%)
Solteq Oyj			
Enerity Solutions Oy (merged June 1, 2022)	Finland	100 %	100 %
S2B Energia Oy	Finland	100 %	100 %
Solteq Robotics Oy	Finland	100 %	100 %
Aponsa AB	Sweden	100 %	100 %
Solteq Sweden AB	Sweden	100 %	100 %
Solteq Poland Sp. z. o. O	Poland	100 %	100 %
Solteq Digital UK Ltd	Great Britain	100 %	100 %
Solteq Denmark A/S	Denmark	100 %	100 %
Solteq Norway AS	Norway	100 %	100 %
Theilgaard Mortensen Sverige AB	Sweden	100 %	100 %
Forsyning 360 Aps	Denmark	100 %	100 %

In the beginning of the financial year, Solteq Plc initiated a merger process to merge Enerity Solutions Oy into Solteq Plc. The merger was implemented as planned on June 1, 2022.

6.2 Related Party Transactions

Solteq Group's related parties include the Board of Directors, the CEO, and the Group's Executive Team, as well as their related parties and entities according to the IAS24 standard.

There were no related party transactions to be reported in the review or the comparison period.

Management Employee Benefits

TEUR	2022	2021
Salaries and other short-term employment benefits	1,127	1,106
Total	**1,127**	**1,106**

The compensations of CEO, the Board of Directors and the Executive Team are included in the management employee benefits.

Wages and Salaries of the Members of the Board of Directors and CEO

TEUR	2022	2021
CEO Olli Väätäinen until Jan 31, 2022	58	313
Interim CEO Kari Lehtosalo during Feb 1 - Jun 30, 2022	114	
CEO Aarne Aktan from Jul 1, 2022	175	
Board members		
Markku Pietilä, Chairman of the Board	64	45
Aarne Aktan until Jun 30, 2022	20	26
Lotta Kopra until Mar 24, 2022	8	26
Panu Porkka	33	25
Katarina Segerståhl	37	26
Mika Uotila until May 17, 2021		12
Anni Sarvaranta from Mar 24, 2022	26	
Mika Sutinen from Mar 24, 2022	25	

The CEO's accrual-based pension costs amount to EUR 90 thousand. The CEO's pension plan complies with the employment pension legislation. The CEO's notice period is six months and the agreement does not include any separate severance payments.

Solteq Plc's members of the Board of Directors and CEO owned directly or through controlled companies 26 thousand shares at the end of 2022 (328).

6.3 Business Combinations

On January 3, 2022, Solteq Plc signed an agreement to purchase the entire share capital of the energy software company Enerity Solutions Oy. Through the acquisition, Solteq is expanding its software offering in the utilities sector, which is one of the company’s key growth drivers in the Nordic market. The deal also further increases the company’s expertise in the changing operating environment of the energy sector. Enerity Solutions specializes in software solutions for electricity trading and grid profitability and risk management.

TEUR	1-12/2022
Consideration	
Paid in cash	5,291
Total	**5,291**
Values of the assets and liabilities arising from the acquisition	
Tangible assets	5
Intangible assets **	577
Trade and other receivables	229
Cash and cash equivalents	869
Total assets	**1,680**
Trade payables and other liabilities	445
Financial liabilities	115
Total liabilities	**560**
The goodwill value of the acquisition	**4,171**
Cash flow from the acquisition	
Consideration paid in cash in 2022	5,291
Cash and cash equivalents of the acquired companies	869
Total cash flow from the acquisition	**4,422**

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 115 thousand euros.

Expenses related to the acquisition	
Other expenses	124
Total expenses related to the acquisition	**124**
Impact on the Solteq Group's number of personnel	17
Impact on the Solteq Group's comprehensive income statement	**1-12/2022**
Revenue *	2,323
Operating profit *	802

* The amount of the revenue and the operating profit from the acquisition date to the merger. Enerity Solutions Oy is consolidated to Solteq Group as of the beginning of the reporting period. The company has been merged to the parent company on June 1st, 2022.

Solteq Plc acquired on November 7, 2022, the entire share capital of energy sector system and service provider S2B Energia Oy. As a result of the acquisition 10 employees transferred to be part of Solteq Group. The debt-free purchase price was EUR 1 and net assets EUR 32 thousand. The revenue and operating profit of the acquired businesses is not presented as if the consolidation would have happened in the beginning of the financial year because it has no significant effect on Solteq Group's figures.

During the financial year 2021, two business acquisitions were made.

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 2,350 thousand.

EUR 350 thousand of the business acquisition purchase price was paid for with new Solteq shares measured at fair value, 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 was paid on December 15, 2021.

The business transfer agreement created an intangible asset related to the customer contracts transferred to Solteq Plc with the agreement. In addition, goodwill of EUR 1,991 thousand, which consists of non-separable assets, such as synergies, competent personnel, and market share, was recognized for the transaction. The goodwill is tax-deductible.

A total of EUR 64 thousand of expenses related to the business transfer agreement were recognized in other operating expenses.

TEUR	**1-12/2021**
Intangible assets	448
Total assets	**448**
Deferred tax liabilities	90
Total liabilities	**90**
Net assets acquired	**359**
Total consideration	2,350
Goodwill	1,991
Impact on cash flows	
Paid in cash	2,000
Cash flow from investing activities	**-2,000**
Consideration	
Paid in cash	2,000
Directed issue	350
Total	**2,350**

Solteq Plc’s Danish subsidiary, Solteq Denmark A/S, signed a share purchase agreement on October 1, 2021, whereby it acquired a management consulting business specialized in the utilities sector. The acquisition consisted of the consulting business of Kouno P/S and the share capital of Forsyning 360 ApS. As a result of the acquisition, 9 employees joined the Solteq Denmark Group. The debt-free purchase price of the transaction was EUR 1,425 thousand. EUR 855 thousand of the purchase price was paid at the time of signing the agreement, and the rest will be paid during 2022.

A total of EUR 57 thousand of expenses related to the acquisition were recognized in other operating expenses.

The revenue and operating profit of the acquired companies is not presented as if the consolidation would have happened in the beginning of the financial year because it has no significant effect on Solteq Group's figures.

6.4 The Russian invasion of Ukraine and its impact on Financial Reporting

The company has no business operations in Russia or in Ukraine. The management of the company is continuously monitoring the Russian invasion of Ukraine and assessing its impact on the company’s operations, strategy, realization of financial targets, performance, financial position, and cash flows.

The impairment tests of goodwill and capitalized development costs were performed during the last quarter of the financial year 2022. No need for impairment was identified, but a clear margin was left for each tested unit and project. No impairment losses were recognized in 2022 related to the goodwill of the group or to the merger losses of the parent company. 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 profit budget for 2023 and operating profit forecasts for the subsequent four years. The Russian invasion of Ukraine 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. However, due to the general economic uncertainty, high inflation and increased interest rates, the company has decided to prepare for possible credit losses by keeping the provision for credit losses unchanged, which was increased due to the COVID-19 pandemic. 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 Russian invasion of Ukraine has had no effect on their valuation so far.

The company has a EUR 23.0 million bond that matures on October 1, 2024. The company also has a EUR 5,000 thousand standby credit limit and a EUR 2,000 thousand bank account credit limit. At the end of the review period EUR 5,000 thousand of standby credit limit was used. At the end of the review period EUR 805 thousand of bank account credit limit was used. 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 negative impacts caused by the Russian invasion of Ukraine on its business operations.

6.5 Events After the Balance Sheet Date

On January 16, 2023, Solteq Plc announced having updated its long-term financial targets. Solteq Plc's Board of Directors has approved the company's segment-specific long-term targets, which are based on the updated strategy and segment structure.

On January 27, 2023, Solteq Plc announced that the Board of Directors has appointed Oona Silén as VP of People and Culture and member of the Executive Team of the company as of February 6, 2023.

The Company's management is not aware of other events of material importance after the financial period that might have affected the preparation of the financial statements.

Parent Company Financial Statements

Parent Company's Statement of Comprehensive Income

TEUR	Notes	1 Jan 2022 - 31 Dec 2022	1 Jan 2021 - 31 Dec 2021
Revenue	1.1	**56,449**	**58,755**
Other income	1.3	897	638
Materials and services		-8,623	-8,936
Employee benefit expenses	1.2	-35,613	-32,852
Other expenses	1.3, 1.4	-8,847	-7,247
Depreciations and impairments	2.4	-9,090	-4,322
Operating result		**-4,827**	**6,038**
Financial income	1.5	52	41
Financial expenses	1.5	-2,046	-1,742
Result before taxes		-6,821	4,337
Income taxes	1.6	1,291	-945
Result for the financial period		**-5,529**	**3,391**
Total comprehensive income		**-5,529**	**3,391**

Parent Company's Statement of Financial Position

TEUR	Notes	31 Dec 2022	31 Dec 2021
Assets			
Non-current assets			
Tangible assets	2.1	45	216
Right-of-use assets	2.2	2,097	3,419
Intangible assets	2.3		
Goodwill		1,991	1,991
Other intangible assets		46,020	45,323
Other investments	4.3	453	453
Shares in subsidiaries	5.1	8,644	8,063
Deferred tax assets	1.6	1,306	
Trade and other receivables	3.1	636	983
Non-current assets total		**61,192**	**60,448**
Current assets			
Inventories	3.2	133	207
Trade and other receivables	3.1	10,750	9,877
Cash and cash equivalents	4.4	869	1,403
Current assets total		**11,753**	**11,487**
Total assets		**72,945**	**71,935**
Equity and liabilities			
Equity attributable to equity holders of the parent company			
Share capital	4.5	1,009	1,009
Share premium reserve	4.5	75	75
Distributable equity reserve	4.5	14,374	14,374
Retained earnings		8,182	13,711
Total equity		**23,640**	**29,170**
Non-current liabilities			
Deferred tax liabilities	1.6	507	389
Financial liabilities	4.2	24,179	24,217
Lease liabilities	4.2	939	2,129
Non-current liabilities total		**25,624**	**26,735**
Current liabilities			
Financial liabilities	4.2	5,928	
Trade and other payables	3.3	16,609	14,530
Provisions	3.4	78	73
Lease liabilities	4.2	1,065	1,426
Current liabilities total		**23,680**	**16,030**
Total liabilities		**49,304**	**42,765**
Total equity and liabilities		**72,945**	**71,935**

Parent Company’s Cash Flow Statement

TEUR	Notes	1 Jan 2022 - 31 Dec 2022	1 Jan 2021 - 31 Dec 2021
Cash flow from operating activities			
Result for the financial period		-5,529	3,391
Adjustments for operating profit	1.8	9,007	5,657
Changes in working capital		1,228	787
Interests paid		-1,749	-1,655
Interests received		48	38
Net cash flow from operating activities		**3,005**	**8,219**
Cash flow from investing activities			
Business acquisitions		-5,291	-2,000
Investments in tangible and intangible assets		-3,116	-2,715
Net cash used in investing activities		**-8,407**	**-4,715**
Cash flow from financing activities			
Short-term loans, increase	4.2	6,813	
Short-term loans, decrease	4.2	-1,008	
Payment of lease liabilities	4.2	-1,902	-1,872
Dividend payment			-2,909
Net cash used in financing activities		**3,903**	**-4,782**
Changes in cash and cash equivalents		**-1,500**	**-1,278**
Cash and cash equivalents at the beginning of period		1,403	2,681
Cash and cash equivalents transferred in the merger		966	
Cash and cash equivalents at the end of period	4.4	**869**	**1,403**

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

TEUR	2022	2021
Cash and cash equivalents	869	1,403
Total	**869**	**1,403**

Parent Company's Statement of Changes in Equity

TEUR	Share capital	Share premium account	Invested unrestricted equity reserve	Retained earnings	Total
Equity 1 Jan 2021	**1,009**	**75**	**14,024**	**13,229**	**28,338**
Total comprehensive income				**3,391**	**3,391**
Transactions with owners					
Returned dividends				0	0
Dividends paid				-2,909	-2,909
Share issue			350		350
Transactions with owners total	**0**	**0**	**350**	**-2,909**	**-2,559**
Equity 31 Dec 2021	**1,009**	**75**	**14,374**	**13,711**	**29,170**
Equity 1 Jan 2022	**1,009**	**75**	**14,374**	**13,711**	**29,170**
Total comprehensive income				**-5,529**	**-5,529**
Equity 31 Dec 2022	**1,009**	**75**	**14,374**	**8,182**	**23,640**

Notes to Solteq Plc Financial Statements

Accounting policies for the parent company's Financial Statements

Solteq Plc's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) complying with the IAS and IFRS standards as well as the SIC and IFRIC interpretations valid as at December 31, 2022. International Financial Reporting Standards mean the standards and their interpretations that have been approved for adoption in the EU in accordance with the procedure No. 1606/2002 enacted in the Finnish Accounting Act and EU (EC) regulations laid down by the Act. The notes to the consolidated financial statements are also in accordance with the requirements of the Finnish Accounting and Companies legislation.

The Group accounting policies are applied to both the Group financial statements as well as the Parent Company financial statements, unless otherwise mentioned.

1. FINANCIAL RESULT

1.1 Revenue from Contracts with Customers

TEUR	2022	2021
Services	43,698	48,433
Recurring revenue / SaaS	7,861	6,140
Software and hardware sales	4,889	4,182
Total	**56,449**	**58,755**

Contract Balances

TEUR	2022	2021
Trade and other receivables	8,279	8,376
Contract assets	387	500
Contract liabilities	-556	-517

Contract Assets

TEUR	2022	2021
Contract assets on Jan 1	**500**	**240**
Transfers from contract assets to receivables	-433	-172
Increases as a result of changes in the measure of progress	321	432
Contract assets on Dec 31	**387**	**500**

Contract Liabilities

TEUR	2022	2021
Contract liabilities on Jan 1	**-517**	**-203**
Revenue recognized from contract liabilities	465	163
Increases due to cash received, excluding amounts recognized as revenue during the period	-504	-476
Contract liabilities on Dec 31	**-556**	**-517**

The Company expects to meet a significant part of outstanding performance obligations during the reporting period 2023.

1.2 Employee Benefit Expenses

TEUR	2022	2021
Salaries and wages	29,566	27,494
Pension expenses - defined contribution plan	5,008	4,428
Other personnel expenses	1,039	930
Total	**35,613**	**32,852**
Average number of employees over the financial period	**508**	**487**

Information on management's employee benefits is presented in note 5.1 Related party transactions.

1.3 Other Income and Expenses

Other Income

TEUR	2022	2021
Government grants	1	55
Income resulting from the sales of assets and business operations	81	
Other income	104	65
From Group companies, compensation for administration costs	711	517
Total	**897**	**638**

Other expenses

TEUR	2022	2021
Telephone and telecommunication costs	612	549
Voluntary personnel expenses	583	479
Rental and other office related expenses	1,427	1,180
Hardware and software expenses	1,630	1,440
Car and travel expenses	361	169
External services	3,026	2,579
Bad debts	55	2
Warranty provisions	5	12
Other expenses	1,149	836
Total	**8,847**	**7,247**

Lease Expenses

TEUR	2022	2021
Depreciation of right-of-use assets	1,725	1,856
Interest expense from lease contracts	126	169
Costs from short-term lease contracts	20	26
Costs from low-value asset lease contracts	802	624
Total	**2,672**	**2,675**

Auditor’s Fees

TEUR	2022	2021
Auditing	101	97
Certificates and statements	7	10
Tax consulting	11	16
Other services	74	41
Total	**193**	**164**

The non-audit services charged by KPMG Oy Ab from Solteq Plc in the financial year 2022 were EUR 85 thousand (57).

1.4 Research and Development Costs

The income statement includes a total of EUR 542 thousand (176) of research and development costs recognized as expense in 2022.

1.5 Financial Income and Expenses

Financial Income

TEUR	2022	2021
Interest income	45	35
Foreign currency exchange income	4	2
Dividend income	3	3
Total	**52**	**41**

Financial Expenses

TEUR	2022	2021
Interest expenses from financial expenses in amortized costs	1,610	1,505
Interest expense on lease liabilities	126	169
Foreign currency exchange expenses	16	7
Other financial expenses	295	61
Total	**2,046**	**1,742**

For the financial year 2022, EUR 198 thousand in other financial expenses were related to the fees for changing the terms of the bond.

1.6 Income Taxes

Income taxes

TEUR	2022	2021
Tax based on the taxable income for the period	3	1,041
Taxes from previous periods		11
Deferred taxes	-1,294	-107
Total	**-1,291**	**945**

TEUR	2022	2021
Result before taxes	-6,821	4,337
Taxes based on domestic tax rate	-1,364	867
Non-deductible expenses	31	18
Exempt from taxes	-1	
Revaluation of deferred taxes	-8	-15
Other items	50	64
Taxes from previous periods		11
Taxes on the income statement	**-1,291**	**945**

Deferred Tax Assets and Liabilities

Changes in deferred taxes:

TEUR	1 Jan 2021	Recognized on the income statement	Acquisition of subsidiaries and businesses	31 Dec 2021	Recognized on the income statement	Acquisition of subsidiaries and businesses	31 Dec 2022
Deferred tax assets:							
Provisions	12	2		15	1		16
Postponed depreciations	4	33		38	9		47
From the loss of the financial period					1,244		1,244
Other items	14	-2		12	-12		0
Netted with deferred tax liabilities	-31			-64			0
Total	**0**	**34**	**0**	**0**	**1,242**	**0**	**1,306**
Deferred tax liabilities:							
Tax-deductible goodwill	0		78	78	94		172
Allocated intangible liabilities	365	-137	90	317	-153	106	270
Other items	72	-14		58	7		64
Netted with deferred tax assets	-31			-64			0
Total	**406**	**-151**	**168**	**389**	**-53**	**106**	**507**

For the financial year 2022, the parent company's loss has been booked in full as a deferred tax asset, as it is likely that taxable income will be generated in the future against which it can be utilized.

1.7 Earnings per Share

	2022	**2021**
Profit for the financial period attributable to equity holders of the parent company (TEUR)	-5,529	3,391
Weighted average of the number of shares during the financial period (1 000)	19,397	19,382
Undiluted EPS (EUR/share)	-0.29	0.17

There were no diluting factors during the financial year 2022 nor the comparison period 2021.

1.8 Adjustments to Cash Flow from Business Operations

Significant events are listed in the cash flow statement. Significant adjustments to cash flow from business operations are due to depreciations and impairments made during the financial period, EUR 9 090 thousand (4,322).

2. TANGIBLE AND INTANGIBLE ASSETS

2.1 Tangible Assets

TEUR	Machinery and equipment	Other tangible assets	Prepayments	Total
Acquisition cost 1 Jan 2022	2,473	21	56	2,550
Additions	12			12
Disposals	-106	-21	-56	-182
Acquisition cost 31 Dec 2022	**2,379**	**1**	**0**	**2,380**
Accumulated depreciation and impairment 1 Jan 2022	2,335	0	0	2,335
Depreciation	94			94
Accumulated depreciation on disposals	-94			-94
Accumulated depreciation and impairment 31 Dec 2022	**2,335**	**0**	**0**	**2,335**
Book value 1 Jan 2022	138	21	56	216
Book value 31 Dec 2022	44	1	0	45
Acquisition cost 1 Jan 2021	2,473	21	56	2,550
Acquisition cost 31 Dec 2021	**2,473**	**21**	**56**	**2,550**
Accumulated depreciation and impairment 1 Jan 2021	2,144	0	0	2,144
Depreciation	191			191
Accumulated depreciation and impairment 31 Dec 2021	**2,335**	**0**	**0**	**2,335**
Book value 1 Jan 2021	329	21	56	406
Book value 31 Dec 2021	138	21	56	216

2.2 Right-of-Use Assets

TEUR	Premises	Machinery and equipment	Right-of-Use assets total
Acquisition cost 1 Jan 2022	6,786	6,495	13,281
Additions *	702	196	898
Disposals	-269	-227	-496
Acquisition cost 31 Dec 2022	**7,220**	**6,464**	**13,683**
Accumulated depreciation and impairment 1 Jan 2022	4,072	5,790	9,862
Depreciation	1,519	205	1,725
Accumulated depreciation and impairment 31 Dec 2022	**5,592**	**5,995**	**11,587**
Book value 1 Jan 2022	2,714	705	3,419
Book value 31 Dec 2022	1,628	469	2,097
Acquisition cost 1 Jan 2021	6,453	6,485	12,938
Additions *	333	162	495
Disposals		-152	-152
Acquisition cost 31 Dec 2021	**6,786**	**6,495**	**13,281**
Accumulated depreciation and impairment 1 Jan 2021	2,648	5,358	8,006
Depreciation	1,424	432	1,856
Accumulated depreciation and impairment 31 Dec 2021	**4,072**	**5,790**	**9,862**
Book value 1 Jan 2021	3,805	1,126	4,932
Book value 31 Dec 2021	2,714	705	3,419

* Includes changes to lease contracts

Solteq applies the reliefs allowed by IFRS 16 for short-term agreements and low-value commodities per agreement. See the table below for the minimum leases payable based on these lease agreements:

TEUR	2022	2021
Within a year	737	742
More than one year	730	785
Total	**1,468**	**1,527**

2.3 Intangible Assets

Accounting Policy

In the balance sheet of the Parent Company, under the immaterial rights section, there are merger losses, which are not depreciated evenly. These are instead tested as goodwill by performing impairment tests.

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

TEUR	Payments in advance and uncompleted actions	Goodwill	Development costs	Intangible rights	Other intangible assets	Total
Acquisition cost 1 Jan 2022	4,307	4,356	8,898	44,703	401	62,665
Merger of the subsidiary				4,546		4,546
Additions	3,208		65	61		3,334
Disposals	-4,360			-1		-4,361
Transfers between items	-2,520		2,520			0
Acquisition cost 31 Dec 2022	**634**	**4,356**	**11,483**	**49,309**	**401**	**66,184**
Accumulated amortization and impairment 1 Jan 2022		2,365	4,303	8,281	401	15,350
Amortization			1,695	1,128		2,823
Accumulated amortization on disposals				-1		-1
Accumulated amortization and impairment 31 Dec 2022		**2,365**	**5,998**	**9,409**	**401**	**18,172**
Book value 1 Jan 2022	4,307	1,991	4,595	36,422	0	47,315
Book value 31 Dec 2022	634	1,991	5,485	39,900	0	48,011
Acquisition cost 1 Jan 2021	3,608	2,365	7,152	44,183	401	57,709
Merger of the subsidiary		1,991		448		2,440
Additions	2,444			72		2,516
Transfers between items	-1,746		1,746			0
Acquisition cost 31 Dec 2021	**4,307**	**4,356**	**8,898**	**44,703**	**401**	**62,665**
Accumulated amortizations and impairment 1 Jan 2021	0	2,365	3,099	7,210	401	13,075
Amortization			1,204	1,071		2,275
Accumulated amortization and impairment 31 Dec 2021	**0**	**2,365**	**4,303**	**8,281**	**401**	**15,350**
Book value 1 Jan 2021	3,608	0	4,053	36,973	0	44,634
Book value 31 Dec 2021	4,307	1,991	4,595	36,422	0	47,315

In the financial year 2022, a total of EUR 182 thousand (563) government grants related to the acquisition of intangible assets were received.

Impairment

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

The book value of the goodwill and merger loss in the Parent Company on 31 December 2022 was EUR 40 144 thousand (36,128). At the end of the financial period, in the Parent Company there were investments in progress in development projects of a value of EUR 634 thousand (4,307).

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 profit budget for 2023 and operating profit forecasts for the subsequent four years.

The discount rate of 12,31 percent used in the calculations is the weighted average cost of capital after taxes (equals 15.4 percent before taxes).

Based on testing performed in 2022, no need was found for recognizing impairment losses: a clear margin was left for each tested unit. No impairment losses were recognized in 2022 related to the goodwill of the group or to merger losses of the Parent Company. During the review period, Solteq Plc wrote off EUR 4,418 thousand in product development costs relating to the Solteq Robotics business.

Goodwill and Merger Losses of Tested Units that Generate Cash Flow

TEUR	**2022**	**2021**
Solteq Digital	24,261	24,261
Solteq Software	15,883	11,867
Total	**40,144**	**36,128**

Development costs in progress have been tested with use value calculations. The expected return has been discounted to present value. The interest rate used in the calculations is 12.31 percent after tax. Based on the calculations, there is no need for write-down in the financial year.

Sensitivity Analysis

A summary of unit-specific sensitivities is below:

- In Solteq Software segment, there will be need for write-downs, if the operating profit decreases by 2.2 percentage units or the discount rate increases by 1.5 percentage units.
- In Solteq Digital segment, there will be need for write-downs, if the operating profit decreases by 6.9 percentage units or the discount rate increases by 7.8 percentage units.

2.4 Depreciation, Amortization, and Impairment

TEUR	2022	2021
Depreciations by asset group		
Intangible assets		
Development costs	1,695	1,204
Intangible rights	1,128	1,071
Total	**2,823**	**2,275**
Tangible assets		
Machinery and equipment	94	191
Right of use asset depreciation	1,725	1,856
Total	**1,819**	**2,047**
Impairments*	**4,449**	**0**
Total depreciations and impairments	**9,090**	**4,322**

* Mainly related to the write-offs of the Solteq Robotics business

3. OPERATIONAL ASSETS AND LIABILITIES

3.1 Trade and Other Receivables

TEUR	2022	2021
Trade receivables	6,189	6,727
Contract assets	387	500
Accrued income	2,099	1,021
Receivables from Group companies	2,695	2,608
Other receivables	17	4
Total	**11,386**	**10,861**

Contract assets are related to ongoing long-term projects which are recognized based on rate of completion. Significant items included in prepayments and accrued income relate to normal business accruals.

The Aging of Accounts Receivable and Items Recorded as Impairment Losses:

TEUR	2022	Impairment losses	Net 2022	Probability of losses	Presumed losses	2021	Impairment losses	Net 2021	Probability of losses	Presumed losses
Not due	6,448		6,448			7,039		7,039		
Due	2,274	-55	2,218		53	1,839	-2	1,837		54
Under 30 days	698		698			1,096		1,096		
31-60 days	361		361			312		312		
61-90 days	316		316			324		324		
More than 90 days	899	-55	844	6.3	53	107	-2	105	51.4	54
Total	**8,721**	**-55**	**8,666**		**53**	**8,878**	**-2**	**8,876**		**54**

All current receivables are denominated in euros. There are no significant concentrations of risk related to receivables. Historically there has not been significant impairment losses. The balance sheet values correspond to the maximum amount of credit risk. Because the receivables are current their fair value is equivalent to carrying value.

3.2 Inventories

TEUR	2022	2021
Finished goods	133	207
Total	**133**	**207**

3.3 Trade and Other Payables

TEUR	2022	2021
Trade payables	3,416	4,566
Accruals and deferred income	7,835	6,815
Other liabilities	4,371	2,850
Liabilities to Group companies	987	300
Total	**16,609**	**14,530**

Current liabilities are denominated in euros and their fair values equal their book values. Significant items included in accruals and deferred income relate to usual accruals for business operations. Withheld taxes for paid wages and salaries, social security payments and other social security related items to be accounted for in connection with tax withholding, as well as VAT liability are disclosed in other payables.

3.4 Provisions

TEUR	Warranty provisions	Total
31 Dec 2021	**73**	**73**
Additional provisions	5	5
31 Dec 2022	**78**	**78**

Warranty provisions

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

4. CAPITAL STRUCTURE AND FINANCIAL ITEMS

4.1 Financial Risk Management and Capital Management

Solteq Plc, the Group's parent company, is responsible for managing the Group's financial risks and capital. The Group's information is presented in note 5.1. The parent company's information is in line with the Group's.

4.2 Financial Assets and Liabilities

TEUR	2022 Book value	2022 Fair value	2021 Book value	2021 Fair value
Financial liabilities at amortized cost				
Non-current				
Bond	22,839	22,839	22,755	22,755
Loans from financial institutions	1,340	1,340	1,463	1,463
Lease liabilities	939	939	2,129	2,129
Total	**25,118**	**25,118**	**26,346**	**26,346**
Current				
Loans from financial institutions	5,928	5,928		
Lease liabilities	1,065	1,065	1,426	1,426
Total	**6,993**	**6,993**	**1,426**	**1,426**

The fair value of the financial liabilities is mainly the same as the book value.

Financial liabilities, including finance lease liabilities and the interest rate swap are categorized at fair value level 2.

Cash Flow Notes: Non-Cash Flow Related Changes

TEUR	31 Dec 2021	Cash flows	Transfer from non-current to current	New financial lease contracts	*)Other changes	31 Dec 2022
Non-current liabilities	24,217		-123		84	24,179
Current liabilities	0	5,805	123			5,928
Lease liabilities	3,555	-1,902		898	-547	2,004
Total financing liabilities	**27,772**	**3,903**	**0**	**898**	**-462**	**32,111**

*) The cumulative effective interests during the financial period, which are valuated to the acquisition costs and disposals of the lease liabilities.

Maturity of Financial Leases:

TEUR	Book value	Contractual cash flows	1-12 months	13-24 months	25-36 months	Later
Financial liabilities, Dec 31 2022						
Bond	22,839	25,766	1,383	24,383		
Loans from financial institutions	1,463	1,525	95	414	359	657
Lease liabilities	2,004	2,033	1,135	769	124	5
Trade payables	4,403	4,403	4,403			
Financial liabilities total	**30,709**	**33,727**	**7,016**	**25,566**	**483**	**663**
Financial liabilities, Dec 31 2021						
Bond	22,755	27,149	1,383	1,383	24,383	
Loans from financial institutions	1,463	1,537	12	95	414	1,017
Lease liabilities	3,555	3,498	1,539	1,035	839	85
Trade payables	4,866	4,866	4,866			
Financial liabilities total	**32,638**	**37,050**	**7,800**	**2,513**	**25,636**	**1,102**

In 2022, the average interest rate of the loans was 6.0 percent (6.0). All financial liabilities are denominated in euros.

On October 1, 2020, Solteq issued a fixed rate bond with a nominal value of EUR 23.0 million. Annual interest of 6.0 percent is paid on the bond, and it will mature on October 1, 2024. The bond can be redeemed before its final maturity date.

In the fourth quarter of 2022, efforts were also made to ensure the flexibility of financing for the current financial year. The company initiated a written procedure to amend the terms and conditions of its EUR 23 million senior unsecured fixed rate notes. Due to the approved amendments to the terms and conditions, the working capital facility was increased from EUR 7 million to EUR 10 million. The increased flexibility in financing is a good thing for the company, although we strive to develop our business in a way that doesn’t require additional debt.

4.3 Other Investments

TEUR	2022	2021
Beginning of financial period	**453**	**455**
Change		**-2**
End of financial period	**453**	**453**

The item includes unquoted shares. Fair value is estimated to correspond to book value (fair value hierarchy level 3).

4.4 Cash and Cash Equivalents

TEUR	2022	2021
Cash and cash equivalents	869	1,403
Total	**869**	**1,403**

4.5 Equity

TEUR	Number of shares (1 000)	Share capital	Share premium reserve	Invested unrestricted equity reserve	Total
Beginning of financial period	**19,397**	**1,009**	**75**	**14,374**	**15,458**
End of financial period	**19,397**	**1,009**	**75**	**14,374**	**15,458**

4.6 Conditional Debts and Liabilities

TEUR	2022	2021
Collateral given on our own behalf		
Business mortgages	10,000	10,000
Total	**10,000**	**10,000**

Until the issuance of the bond the business mortgages as well as the pledged shares are given as collateral by the Parent Company for credit limits and long-term loans.

5. OTHER NOTES

5.1 Related Party Transactions

Solteq Group's related parties include the Board of Directors, the CEO, and the Group's Executive Team, as well as their related parties and entities according to the IAS24 standard.

On December 31, 2022, Solteq Plc owned the following subsidiaries:

Company	Domicile	Share of ownership (%)	Share of votes (%)
S2B Energia Oy	Finland	100 %	100 %
Solteq Robotics Oy	Finland	100 %	100 %
Aponsa AB	Sweden	100 %	100 %
Solteq Poland Sp. z. o. o	Poland	100 %	100 %
Solteq Digital UK Ltd	Great Britain	100 %	100 %
Solteq Denmark A/S	Denmark	100 %	100 %

There were no related party transactions to be reported in the review or the comparison period.

Management Employee Benefits

TEUR	2022	2021
Salaries and other short-term employment benefits	1,127	1,106
Total	**1,127**	**1,106**

The compensations of CEO, the Board of Directors and the Executive Team are included in the management employee benefits.

Wages and Salaries of the Members of the Board of Directors and CEO

	Parent Company	
TEUR	2022	2021
CEO Olli Väätäinen until Jan 31, 2022	58	313
Interim CEO Kari Lehtosalo during Feb 1 - Jun 30, 2022	114	
CEO Aarne Aktan from Jul 1, 2022	175	
Board members		
Markku Pietilä, Chairman of the Board	64	45
Aarne Aktan until Jun 30, 2022	20	26
Lotta Kopra until Mar 24, 2022	8	26
Panu Porkka	33	25
Katarina Segerståhl	37	26
Mika Uotila until May 17, 2021		12
Anni Sarvaranta from Mar 24, 2022	26	
Mika Sutinen from Mar 24, 2022	25	

The CEO’s accrual-based pension costs amount to EUR 90 thousand. The CEO’s pension plan complies with the employment pension legislation. The CEO’s notice period is six months and the agreement does not include any separate severance payments.

Solteq Plc’s members of the Board of Directors and CEO owned directly or through controlled companies 26 thousand (328) shares at the end of 2022.

5.2 Business Combinations

During the financial year 2022, the Parent Company made two acquisitions.

On January 3, 2022, Solteq Plc signed an agreement to purchase the entire share capital of the energy software company Enerity Solutions Oy. Through the acquisition, Solteq is expanding its software offering in the utilities sector, which is one of the company’s key growth drivers in the Nordic market. The deal also further increases the company’s expertise in the changing operating environment of the energy sector. Enerity Solutions specializes in software solutions for electricity trading and grid profitability and risk management. Enerity Solutions Oy was merged into the parent company on June 1, 2022.

Solteq Plc acquired on November 7, 2022, the entire share capital of energy sector system and service provider S2B Energia Oy. As a result of the acquisition 10 employees transferred to be part of Solteq Group. The debt-free purchase price was EUR 1 and net assets EUR 32 thousand.

During the financial year 2021, one acquisition was made.

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 2,350 thousand.

EUR 350 thousand of the business acquisition purchase price was paid for with new Solteq shares measured at fair value, 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 was paid on December 15, 2021.

The business transfer agreement created an intangible asset related to the customer contracts transferred to Solteq Plc with the agreement. In addition, goodwill of EUR 1,991 thousand, which consists of non-separable assets, such as synergies, competent personnel, and market share, was recognized for the transaction. The goodwill is tax-deductible.

A total of EUR 64 thousand of expenses related to the business transfer agreement were recognized in other operating expenses.

TEUR	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
Impact on cash flows	
Paid in cash	2,000
Cash flow from investing activities	**-2,000**
Consideration	
Paid in cash	2,000
Directed issue	350
Total	**2,350**

5.3 The Russian invasion of Ukraine and its impact on Financial Reporting

The Russian invasion of Ukraine and its impact to the financial reporting of the Parent Company is the same as that to the Group. The information as regards the Group is presented in the Group note 6.4.

5.4 Events After the Balance Sheet Date

The Parent Company's events after the balance sheet date are the same as those of the Group. The information as regards the Group is presented in the Group note 6.5.

Proposal for Distribution of Profits and Signatures

The distributable equity of the Parent Company Solteq Plc as at 31 December 2022 is:

The distributable equity		
	31 Dec 2022	**31 Dec 2021**
Invested unrestricted equity reserve	14,374,181.33	14,374,181.33
Result for previous financial periods	13,711,364.54	10,320,045.98
Result for the financial year	-5,529,399.15	3,391,318.56
Total non-restricted equity	**22,556,146.72**	**28,085,545.87**
Capitalized development costs	-6,119,607.80	-8,901,305.71
Total distributable funds	**16,436,538.92**	**19,184,240.16**

At the end of financial year 2022, the distributable equity of the Group's parent company is 16,436,538.92 euros. Solteq Plc's Board of Directors proposes to the Annual General Meeting that for the financial year 2022, no dividend will be paid out.

The Board of Directors is of the opinion that there are no financial prerequisites for dividend pay-outs, or other kind of distribution of funds. According to the terms and conditions of the company debenture stock distribution of funds would lead to the expiration of the credit. The covenants of the bond do not permit distribution of funds based on the financial year 2022.

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

Signatures to the Report of the Board of Directors and the Financial Statements

Vantaa, February 15, 2023

Markku Pietilä
Chairman of the Board

Mika Sutinen
Board Member

Anni Sarvaranta
Board Member

Panu Porkka
Board Member

Katarina Segerståhl
Board Member

Aarne Aktan
CEO

Auditor's note

Our auditors' report has been issued today.

Helsinki, February 15, 2023

KPMG Oy Ab

Petri Sammalisto
Authorized Public Accountant

This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

Auditor's Report

To the Annual General Meeting of Solteq Plc

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Solteq Plc (business identity code 0490484-0) for the year ended 31 December 2022. The financial statements comprise both the consolidated and the parent company's statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies.

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

Our opinion is consistent with the additional report submitted to the Audit Committee.

Basis for Opinion

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

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

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 2.4 to the consolidated financial statements.

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

Materiality

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

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

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Goodwill and merger loss impairment assessment (Accounting principles, consolidated financial statements note 3.3 and parent company's financial statement note 2.3)	
— In recent years the Group has expanded its activities through acquisition of companies. As a result, the consolidated statement of financial position includes a significant amount of goodwill. Due to merging the acquired companies to the parent company, there is a significant amount of merger losses in the parent company's other intangible assets. — Goodwill and merger loss in parent company's statement of financial position are not amortized but are tested at least annually for impairment. — Determining the cash flow forecasts underlying the impairment tests requires management judgments and estimates especially relating to revenue growth rate, profitability, discount rate and long-term growth rate. — Due to the high level of judgement related to the forecasts used, and the significant carrying amounts involved, impairment assessment of goodwill and merger loss is considered a key audit matter.	— We assessed the impairment tests prepared by the company. — Our audit work with the involvement of KPMG valuation specialists included testing the integrity of the calculations and the technical model. — We assessed the assumptions used by management in respect of forecasted revenue growth rates and profitability as well as the appropriateness of the discount rates used. In addition, we validated the assumptions used in relation to market and industry information. — We evaluated the cash flows used by comparing them to the group's budgets and the understanding we gained from our audit. — Furthermore, we have considered the appropriateness of the disclosures related to Group's goodwill, parent company's merger loss and impairment testing.

Revenue recognition (Accounting principles and consolidated financial statements note 2.2)

- The consolidated revenue comprise different revenue flows based on different contract types, such as services, software license sales and maintenance as well as projects.
- The company has projects in which the satisfaction of the performance obligation is monitored throughout the project delivery. Revenue recognition based on satisfaction of performance obligation involves management judgment and estimates especially on forecasted total costs of the project and resources needed.
- Due to the analyses of different contract terms and conditions associated with the choice of a revenue recognition method as well as management judgement involved, revenue recognition is considered a key audit matter.

- We assessed group's revenue recognition principles in relation to IFRS standards.
- Our audit procedures included evaluation of internal control environment over revenue recognition and testing of operating effectiveness of key internal controls. In addition, we performed substantive testing to assess appropriateness of revenue recognition and recording revenue in the correct period.
- In addition, we assessed the appropriateness of recognition of project revenue prepared by the company and evaluated company's process to identify potential provisions related to these projects.
- Furthermore, we considered the appropriateness of the disclosures in respect of revenue recognition principles and net sales.

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

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

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

Auditor's Responsibilities for the Audit of Financial Statements

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

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

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Other Reporting Requirements

Information on our audit engagement

Solteq Plc became a public interest entity on 6 September 1999. We have been the company's auditors since it became a public interest entity.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date.

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

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

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki, 15 February 2023

KPMG OY AB

PETRI SAMMALISTO
Authorised Public Accountant, KHT

Statement of Non-Financial Information

Corporate Responsibility at Solteq

Solteq provides software solutions and IT expert services to the energy sector, retail industry, and the needs related to e-commerce. The Company employs over 650 professionals and serves its customers in the Nordic countries. The company has offices in Finland, Sweden, Norway, Denmark, Poland, and the UK.
Responsibly produced solutions and operating with a high degree of ethics as a service provider, employer, partner, and corporate citizen are a precondition for successful business and strong stakeholder relations.

Solteq's Code of Conduct is based on the Company's operating principles concerning anti-bribery and corruption, human resource management, sustainable development, environmental responsibility, information security, and data protection. In addition to the Company's internal guidelines, the operations are guided by local legislation, regulations, instructions, standards issued by authorities, and international principles governing ethical business, human rights, and social responsibility.

Material Aspects of Responsibility

Solteq has defined the key aspects of its corporate responsibility based on the economic, social, and environmental impacts of its business. The Company also evaluates corporate responsibility from the perspective of industry-specific trends and phenomena.

Solteq's corporate responsibility is focused on four aspects:

- social responsibility and respecting human rights,
- data protection and information security,
- anti-corruption and bribery, and
- environmental responsibility.

Areas especially relevant to Solteq's operations are matters related to the wellbeing of personnel and ensuring the confidentiality of information, and the integrity of information systems. The Company has a zero-tolerance policy for bribery and corruption. Responsible practices ensure that sustainability and environmental aspects are taken into account – considering the extent and nature of the Company's operations.

Stakeholders

Solteq's key stakeholders are the Group's personnel, customers, partners, shareholders, and the authorities. The impacts of Solteq's operations on these stakeholders has been comprehensively assessed when preparing the corporate responsibility principles. Solteq engages in active dialogue with its various stakeholders regarding the realization and development of responsible operating methods.

Responsibility in Customer Relationships

Solteq helps customers find solutions that suit their needs, are technologically up to date and offer a high level of information security. Customer satisfaction is actively monitored.

The principles governing quality management in customer projects are defined in Solteq's quality plan. The goal of instructions and guidelines related to quality planning, assurance, control, and improvement is to ensure the high-quality execution of customer projects and the achievement of the agreed objectives.

Risk Management System

The Group's risk management is guided by legal requirements, regulations and instructions given by authorities, other rules and standards binding the Company, business requirements set by the Company's shareholders and the expectations of other stakeholders. The goal of risk management is to identify and acknowledge the risks involved in the Company's operations as well as to make sure that the risks are appropriately managed when making business decisions. The Company's risk management supports the achievement of strategic goals and ensures the continuity of business operations.

Risk management is aimed at ensuring that the risks affecting the Company's business are identified, managed, and monitored. To ensure that responsible practices are implemented, the Company has recognized and is systematically monitoring certain areas, such as:

- risks pertaining to employees and working, such as those related to discrimination, working conditions and equal pay,
- risks related to information security and privacy, particularly phishing, data breaches or other leaks of personal data,
- risks related to corruption and bribery, particularly with respect to the supply chain and customer relationships, and
- risk factors related to the Company's reputation and stakeholders' trust in the Company, such as changes in the operation of the Company or its partners, and any accidents, crises affecting the environment and the personnel, and negative publicity. The Company is prepared to communicate in a timely and clear manner in case of any crisis, emergency, and disruption to maintain the stakeholders' trust in the Company. The Company has an up-to-date crisis communication plan, and crisis communication has been invested in by organizing crisis communication training to the personnel.

Management of Corporate Responsibility

Corporate responsibility issues are regularly discussed by the Executive Team and Board of Directors. The CEO is responsible for reporting on corporate responsibility.

Social Responsibility

Personnel and Human Rights

Highly competent, motivated, and healthy employees are the foundation for Solteq's success. Hence, the Company's operations are largely built on the core values (integrity, dedication, better together) defined together with the employees. A strong foundation of values in operations aims for a good employee experience and positive customer experience as a result.

IT is a rapidly evolving industry, and Solteqians are eager to continuously develop their skills. To enable this, the employees are regularly offered opportunities for training. In 2022, the training focused on improving the employees' technical competencies and the team leaders' leadership skills.

Well-being at work is managed as part of the Company's business operations. Well-being at work is supported by, among other things, flexible working hours, remote work opportunities, and extensive sports, culture, and well-being initiatives.

Success in recruitment has a strategic significance for the growing and evolving company. In 2022, the Company recruited 159 new employees (147). Personnel turnover was at 25 percent (19). High employee mobility is typical in the industry, and the availability of skilled workforce is a significant risk for business operations.

Employee satisfaction is measured by a survey conducted three times per year. The survey results are used in assigning priorities to Company-specific development projects as well as to supporting managerial work. Employer recommendation (eNPS) decreased to 27 (31). The decreased work satisfaction reflected the difficulties in resource sufficiency and in the development of software products.

Solteq strives to be a flexible employer that values equality and diversity. Employees are treated equally regardless of their gender, ethnicity, religious beliefs, age, and other such factors. Unlike many software companies, Solteq's personnel has a wide age range. The Company's employees include fresh graduates as well as experienced professionals approaching retirement age. The average age of the personnel was 40.9 years (40.9). Women accounted for 24,5 percent of Solteq's personnel (22).

Solteq respects internationally recognized human rights and workers' rights and nurtures a safe and healthy work environment for all its employees. The fundamental principles of Solteq's personnel management have been defined in the Personnel and Training Plan and the Occupational Health and Safety Plans. According to the Company's view, there are no significant risks of human rights infringements associated with its operations. Possible risks of human rights infringements are related to the supply chain. These risks are managed by choosing business partners carefully and by obligating the partners to commit to the responsibility principles drawn by Solteq or other equivalent principles of responsible practice.

Data Protection and Information Security

The confidentiality of data and the integrity of information systems are at the core of Solteq's efforts related to information security. It is crucial for Solteq to protect the privacy of its stakeholders and the appropriate handling of confidential data.

Solteq's company-level IT operations, covering data security practices, control systems, and risk management, were granted ISO/IEC 27001:2013 certification in 2019. The certification requires that the Company continuously develops its data security and data protection. The certification was renewed in December 2022. The auditor for the certification was KPMG IT Sertifiointi Oy. No significant shortcomings were found.

In terms of personal data, Solteq operates in the market in the roles of both controller and data processor. The Company's data protection practices are publicly available. Solteq processes personal data in compliance with legislation and only collects personal data when necessary.

Solteq gives guidance and instructions to its customers regarding appropriate technical and organizational measures, which contributes to the protection of privacy in society. During 2022, Solteq has been involved in the implementation of information security and data protection as part of its customer projects. The emphasis has been on identity protection, the development of risk and vulnerability management of delivered customer solutions, and the capability to protect against global data security threats, such as cyberattacks. Solteq has taken particular precautions on the increased cybersecurity threats.

The prevention and communication of information security threats are managed by an established Security Incident Reporting process, which ensures that the relevant parties are informed of potential or actual security incidents. With this process, Solteq aims to ensure efficiency in handling information security incidents. Solteq is involved in the Digipooli project led by the National Emergency Supply Agency. Digipooli is a trust network between businesses and public authorities that supports and promotes digital security in society and secures operating conditions for disturbances and exceptional situations. Solteq participated in the nationwide TIETO22 exercise, organized by the National Emergency Supply Agency, which simulated the cooperation between businesses and authorities in major cyber incidents.

Solteq's employees' information security skills are maintained through regular and mandatory information security trainings. Solteq employees receive information security training already as part of the orientation. Extended data protection and information security training to the entire personnel was introduced in the spring of 2019. Approximately 80 percent of the employees completed the Information Security and Data Protection training in 2022.

Solteq's information security and data protection operations are managed by an information security team consisting of IT Director, Data Protection Officer, Chief Information Security Officer responsible for the information security of the business solutions, and two Enterprise Architects. The information security team is responsible for the information security of infrastructure services and enterprise resource planning. In addition, the Chief Information Security Officer in charge of information security in business solutions works closely with the business units and looks after the development of information security and data protection in the Company's IT solutions.

Anti-Corruption and Bribery

Solteq does not condone bribery or corruption in any form. The Company requires compliance with anti-bribery principles as well as the principles governing business transparency in all of its operations.

Solteq chooses its partners carefully and all payments are subject to appropriate approval using a pre-defined phased approval process and they must be recorded in the Company's accounts. The Company does not pay or approve of any questionable benefits. All benefits provided and received must be such that they can be openly reported to everyone. The Company is committed to transparency in all its business operations.

Solteq's Board of Directors has approved the Company's Anti-Corruption and Bribery Policy and its principles in 2016. The policy complements Solteq's Code of Conduct. In addition, Solteq requires its suppliers and partners to commit to the Company's ethical principles or corresponding principles pertaining to corporate responsibility.

Solteq's stakeholders are primarily domestic and Nordic entities. The Company's business takes place in regions where the risk for corruption and bribery is low. Solteq assesses partnership risks on a case-by-case basis and requests additional accounts and clarifications, when necessary, based on the partnership risk assessment.

Solteq has a whistleblowing channel to enable anonymous reporting and following up on the processing of notifications of suspected misconduct. The Company is committed to processing all reports confidentially and in accordance with a standard process. Solteq complies with the EU Whistleblowing Directive and national legislation. No suspected incidents of misconduct were reported in 2022.

Environmental Responsibility

The ICT sector is estimated to account for 3–5 percent of global greenhouse gas emissions. According to the climate and environmental strategy for the ICT sector, published by the Ministry of Transport and Communications in 2021, reducing energy consumption, using renewable energy sources, and managing life cycle of raw materials are essential to reducing emissions. In addition, development of green software solutions creates new opportunities for a more climate and environment friendly industry.

Solteq takes environmental aspects into consideration in its operations according to Solteq's policy for sustainability and environmental responsibility. Consideration for the climate is being further emphasized in Solteq's responsible practices, and the development will be guided by the measurement and monitoring of carbon dioxide emissions launched in 2021.

Carbon Footprint Directs Towards Better Tomorrows

In 2022, Solteq Plc's CO_2 emissions were assessed in accordance with the international Greenhouse Gas Protocol (GHG), taking into account the key emission sources for the Company's direct and indirect operations.

In 2022, the entire value chain carbon footprint of Solteq Group was 1,120 tonnes CO_2e.

- Scope 1 covers direct emissions resulting from the Group's operations. These include carbon dioxide emissions from the consumption of fossil fuels by leased cars. Scope 1 emissions accounted for 2.7 percent of Solteq's total emissions.
- Scope 2 covers indirect emissions resulting from the Group's operations. These include carbon dioxide emissions from electricity, heating, and cooling of the Company's premises and the leased electric vehicles. Scope 2 emissions accounted for 19.6 percent of Solteq's total emissions.
- Scope 3 covers indirect emissions resulting from the Group's operations. These include the carbon dioxide emissions from business travel – flights, train travel, and car journeys which are reimbursed –equipment and capacity purchases, and commuting. Scope 3 emissions accounted for 77.6 percent of Solteq's total emissions.

In 2022, the carbon footprint of Solteq Group's own operations was 384 tonnes CO_2e. Carbon emissions from commuting and equipment and capacity purchases are not included in the calculation.

In 2022, CO_2 emissions of the Group's own operations increased by 8.0 percent relative to the comparison period. This was mainly due to an increase in business travel as it bounced closer to the pre-pandemic levels.

The greatest potential for reducing carbon dioxide emissions lies in favoring premises and capacity utilizing renewable energy sources. Restraint in business travel also helps to mitigate carbon emissions, as do remote and hybrid work. In the future, direct carbon emissions can be reduced by favoring electric and hybrid cars in leasing contracts.

Carbon Footprint of Solteq Group's Own Operations

	2020	2021	2022	Change 2021–2022 - %
Carbon footprint of own operations, tCO_2e	387	356	384	7.9
CO_2 emissions relative to revenue, kg CO_2e / TEUR	6.4	5.2	5.6	8.0
CO_2 emissions per employee, tCO_2e	0.7	0.6	0.6	0.7

Green Choices as Part of Daily Work

Solteq strives to reduce the environmental impact of business premises and equipment as well as increase the recycling of materials. The Company favors modern, energy-efficient, and healthy environments in its choices of business premises. Centrally located offices, the use of modern communication technology and remote work opportunities aim to reduce the need for travelling. The Company continues to favor sustainable means of travel, whenever team meetings and other face-to-face meetings are organized.

A significant proportion of the industry's environmental impacts arises from hardware manufacturing. Solteq takes this into account in its purchase practices, by favoring energy efficiency, life cycle and reliability of hardware. Network and information system hardware and phones are mostly purchased from well-known and certified suppliers. Equipment that has reached the end of its life cycle is collected in WEEE collection containers at Solteq's offices to be recycled and used as raw material for electronics. Solteq conducts dialogue with different equipment suppliers in order to support sustainable principles.

EU Taxonomy

The EU Taxonomy is a classification system for sustainable finance that aims to support the transition towards an economy based on low carbon emissions, resource efficiency, and sustainable development. Through the classification system, EU is steering capital market financing towards sustainable targets, as well as steering companies operating in those markets towards more transparent reporting and responsible business practices. The sectors included in the classification system are those with the greatest potential to meet the EU's climate change mitigation and adaptation goals.

Solteq has assessed its suitability and alignment for the EU Taxonomy classification system for 2021 and 2022. The Company's core business operations do not correspond to activities that contribute to climate change mitigation or adaptation as these are defined by the classification system for the information, communications, and technology sector. As a result, 0 percent of Solteq's business operations come within the scope of economic activities that are suitable for or aligned with the classification system. Solteq continues its efforts in sustainability and is preparing to extend its sustainability reporting in 2025.

				Substantial contribution criteria						DNSH criteria							Taxonomy-aligned share of revenue		
Economic activities	Codes	Revenue	Share of revenue	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	2022	2021	Category
		MEUR	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E/T
TAXONOMY-ELIGIBLE ACTIVITIES																			
Taxonomy-aligned activities																			
Revenue of Taxonomy-aligned activities		0	0														0	0	
Taxonomy-non-aligned activities																			
Revenue of Taxonomy-non-aligned activities		0	0														0	0	
Total Taxonomy-eligible activities		0	0														0	0	
TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Revenue of Taxonomy-non-eligible activities		68,4	100																
Total Taxonomy-eligible and non-eligible revenue		68,4	100																

				Substantial contribution criteria						DNSH criteria							Taxonomy-aligned share of revenue		
Economic activities	Codes	Revenue	Share of revenue	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	2022	2021	Category
		MEUR	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E/T
TAXONOMY-ELIGIBLE ACTIVITIES																			
Taxonomy-aligned activities																			
CapEx of Taxonomy-aligned activities		0	0														0	0	
Taxonomy-non-aligned activities																			
CapEx of Taxonomy-non-aligned activities		0	0														0	0	
Total Taxonomy-eligible activities		0	0														0	0	
TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy-non-eligible activities		9,2	100																
Total Taxonomy-eligible and non-eligible CapEx		9,2	100																

				Substantial contribution criteria						DNSH criteria							Taxonomy-aligned share of revenue		
Economic activities	Codes	Revenue	Share of revenue	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	2022	2021	Category
		MEUR	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E/T
TAXONOMY-ELIGIBLE ACTIVITIES																			
Taxonomy-aligned activities																			
OpEx of Taxonomy-aligned activities		0	0														0	0	
Taxonomy-non-aligned activities																			
OpEx of Taxonomy-non-aligned activities		0	0														0	0	
Total Taxonomy-eligible activities		0	0														0	0	
TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy-non-eligible activities		73,0	100																
Total Taxonomy-eligible and non-eligible OpEx		73,0	100																

Solteq's Corporate Responsibility Priorities, Objectives, and Key Performance Indicators

Aspect	Principles and processes	Objective	Performance indicators	2022	2021	2020	Most significant risks
Anti-corruption and Bribery	Anti-corruption and bribery policy, engaging the commitment of employees and partners, whistleblowing channel	Commitment of employees and other stakeholders	Number of reported infringements	0	0	0	Criminal and other legal sanctions Impacts on customer relationships and public procurement Reputation risk
Management of identified risks	Several online trainings are organized for personnel in connection with the risk factors identified during the year. Topics include data security and protection, crisis communication, and prevention of corruption and bribery.	Personnel training and effective prevention of risks	Annual mandatory trainings attended by the staff	584	530	520	Risks related to data protection and information security Risk factors related to the Company's reputation
Personnel	A culture of sharing knowledge, working together and experimenting Development of leadership and managerial work Performance reviews and competence management Competitive benefits Rising trend in employee satisfaction	Solteq is a sought-after workplace with healthy and satisfied employees. The Company supports competence development, provides an equal and non-discriminatory workplace community and supports individual wellbeing. Positive employee experience	Employer recommendation score	27	31	38	Risks related to the availability of employees
Environmental Responsibility	Measurement and analysis of carbon footprint Life Cycle Management, %	Mitigation of the Company's carbon emissions	tCO_{2e}	384 100	356 100	387 100	Climate change related risks Reputation risk

Solteq Plc

Karhumäenkuja 2
01530 Vantaa