

SOLTEQ



# Interim Report

JANUARY 1–MARCH 31, 2022

# Solteq Plc Interim Report January 1–March 31, 2022

## Solteq Continued its Steady Growth Fueled by Digital Commerce Solutions and Utilities Business

### January–March

- Revenue totaled EUR 19.2 million (17.4) and increased by 10.7 percent
- EBITDA was EUR 2.7 million (3.5) and EBITDA percent was 14.1 (20.1)
- Operating profit was EUR 1.4 million (2.2) and operating profit percent was 7.2 (12.8)
- Earnings per share was EUR 0.04 (0.08)
- Solteq Group's equity ratio was 35.7 percent (32.4)
- Net cash flow from operating activities was EUR 2.1 million (3.5)

### Key figures

	1-3/2022	1-3/2021	Change %	1-12/2021	Rolling 12mos
Revenue, TEUR	19,239	17,383	10.7	69,055	70,911
EBITDA, TEUR	2,720	3,490	-22.1	12,267	11,497
Comparable EBITDA, TEUR	2,922	3,554	-17.8	12,556	11,924
Operating profit, TEUR	1,384	2,232	-38.0	7,123	6,274
Comparable operating profit, TEUR	1,586	2,296	-30.9	7,412	6,701
Profit for the financial period, TEUR	795	1,456	-45.4	4,100	3,439
Earnings per share, EUR	0.04	0.08	-45.4	0.21	0.18
Operating profit, %	7.2	12.8		10.3	8.8
Comparable operating profit, %	8.2	13.2		10.7	9.5
Equity ratio, %	35.7	32.4		36.9	34.1

### Profit guidance 2022

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

### CEO Kari Lehtosalo:

Solteq Group's revenue was EUR 19.2 million and increased by 10.7 percent relative to the comparison period. Approximately a third of the growth was organic. The revenue from the international subsidiaries accounted for 22.1 percent of the Group's revenue. Solteq Software segment accounted for just over a third and Solteq Digital segment for less than two-thirds of the Group's revenue. The growth was fueled by the digital business and commerce solutions of Solteq Digital and the Utilities business of Solteq Software.

The general costs of business increased significantly during the review period. At the same time, Solteq continued to invest in the internationalization and product development of Solteq Software segment. Together, these factors diminished the profitability relative to the comparison period. The Group's EBITDA decreased by 22.1 percent to EUR 2.7 million. The operating profit decreased by 38.0 percent to EUR 1.4 million. The EBITDA margin was 14.1 and the operating profit margin was 7.2.

Both segments, Solteq Digital and Solteq Software, grew accordingly. Solteq Digital's revenue increased by 5.6 percent to EUR 11.8 million, while Solteq Software's revenue increased by 19.7 percent to EUR 7.4 million. Solteq Digital improved its profitability during the review period. As expected, Solteq Software's profitability decreased due to business development costs in the Utilities business area. Investments in the Company's product development amounted to EUR 0.8 million.

The war in Ukraine, which began in February, has had no immediate impact on the Company's business. In the long run, it may weaken the economy and the customers' ability to make investments. In addition to this, the changed security environment increases the risk of cyber attacks.

At present, the Company is preparing to welcome Aarne Aktan, who will take on his duties as the new CEO in the summer. Aktan's extensive experience in leading growth companies will create a good foundation for the Company's profitable growth in the future.

## **Nordic IT market outlook within the key industries for Solteq**

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

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

### **Evolving operating environment creates demand for software solutions in the utilities sector**

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

The Utilities business consists of software solutions and expert services. The offering comprehensively takes into account the Nordic and EU level regulatory changes in the utilities sector. 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 its long-term industry expertise, along with its industry-specific offering, meets the requirements of the changing operating environment and creates a clear competitive advantage in the Nordic market.

The research and advisory company Gartner forecasts that during 2022, the Nordic utilities sector will invest over EUR 1.3 billion in software solutions and approximately EUR 2.2 billion in IT expert services. According to Gartner, investments in digitalization in the sector will continue to grow in the Nordic countries, reaching nearly EUR 2.3 billion in software solutions and approximately EUR 3.2 billion in IT expert services by 2025.

### **Retail and service sectors look for unified commerce solutions**

The compatibility and efficiency of IT architecture are challenged by increasingly multidimensional customer journeys, the increased number of online transactions accelerated by the COVID-19 pandemic, and the multiple information systems linked to the various stages of trading. The retail and service sectors are being transformed, and not only by rapid digital disruption but also by changing consumer behavior and needs. Customers in digital channels already have high expectations in terms of fluency, personalized service, and the user experience.

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

Gartner estimates that during 2022, the Nordic retail and service sectors will invest over EUR 550 million in software solutions, and approximately EUR 1.9 billion in IT expert services. As the digital disruption continues to advance and consumer behavior continues to evolve, investment needs in the Nordic countries will increase by 2025 to about EUR 800 million in software solutions, and to around EUR 2.9 billion in IT expert services.

### **War in Ukraine and labor shortage create uncertainties in the marketplace**

The war in Ukraine, which begun in February, has had no immediate impact in the Company's business. In the long run, the war may affect demand for IT solutions and expert services provided by the Company due to the weakened economy and customers' decreased ability to make investments. In addition, the changed security environment increases the risk for denial-of-service attacks, which could affect the reliability of cloud services. However, Solteq has put long-term effort in the prevention of information security threats to its own operations.

The IT sector worldwide is severely affected by a labor shortage, with millions of vacancies at risk of being left unfilled due to a lack of qualified candidates. In the IT sector, the demand is particularly high in areas including cloud technology, artificial intelligence, data, system development and architecture, and automation. The shortage is expected to significantly hamper the realization of the sector's full growth potential. Solteq is striving to minimize the business impact of these difficult conditions by investing resources in recruitment, employer branding, and the employee experience.

## Revenue and profit

### January–March

Revenue increased by 10.7 percent compared to the previous year and totaled EUR 19,239 thousand (17,383). Operating profit for the review period was EUR 1,384 thousand (2,232). Comparable operating profit was EUR 1,586 thousand (2,296). Profit before taxes was EUR 1,021 thousand (1,838) and the profit for the financial period was EUR 795 thousand (1,456).

### Solteq Digital

#### January–March

Solteq Digital performed well during the first quarter of 2022. The segment's revenue was EUR 11,804 thousand (11,174), an increase of 5.6 percent. The segment's EBITDA increased by 2.3 percent to EUR 2,030 thousand (1,984). Operating profit increased by 9.5 percent to EUR 1,495 thousand (1,366).

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, 47.0 percent was derived from digital business and commerce solutions, 19.9 percent from data and analytics solutions, and 33.1 percent from business solutions.

Demand in the key solution areas, such as digital business and commerce solutions, is expected to remain at a good level during the ongoing quarter.

<b>Solteq Digital</b>	<b>1-3/2022</b>	<b>1-3/2021</b>	<b>Change %</b>	<b>1-12/2021</b>
Revenue, TEUR	11,804	11,174	5.6	44,302
Comparable EBITDA, TEUR	2,055	1,984	3.6	7,969
Comparable EBITDA, %	17.4	17.8		18.0
EBITDA, TEUR	2,030	1,984	2.3	7,916
EBITDA, %	17.2	17.8		17.9
Comparable operating profit, TEUR	1,520	1,366	11.3	5,617
Comparable operating profit, %	12.9	12.2		12.7
Operating profit, TEUR	1,495	1,366	9.5	5,563
Operating profit, %	12.7	12.2		12.6

### Solteq Software

#### January–March

Solteq Software segment grew clearly relative to the comparison period. The segment's revenue increased by 19.7 percent, reaching EUR 7,435 thousand (6,209). However, the segment's profitability was decreased by investments in product development and internationalization. The EBITDA was EUR 690 thousand (1,506) and the operating result EUR -112 thousand (866). Relative to the comparison period, the EBITDA decreased by 54.2 percent, whereas the operating result decreased by 112.9 percent.

The segment's business consists primarily of the Utilities business and retail sector software and services. The Utilities business accounted for 58.3 percent and the Retail business for 36.1 percent of the segment's revenue.

The Utilities business expanded with the acquisition of Enercity Solutions Oy. The acquisition strengthens the Company's leading expert position in the changing energy sector and creates 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. Solteq Utilities will continue to invest in product development and internationalization during the ongoing quarter.

In the product development of Retail business area, the Nordic launch of Solteq Commerce Cloud was one of the key focus areas. Aimed at the retail and service sectors, the solution is being implemented at several new customer organizations, such as Royal Arena in Copenhagen. Cloud-based technology, versatile integration capabilities, open interfaces, and features supporting omnichannel business create significant competitive advantage for Solteq Software's Retail business.

The Company also reached important milestones in the commercialization of Solteq Robotics. The collaboration with KONE Oyj evolved to include robotics solutions utilized in indoor logistics. The Company's plans to incorporate the Solteq Robotics business area have proceeded accordingly, and the process will be finalized by the end of the financial year.

Recurring revenue accounted for 32.4 percent of the segment's revenue. This was lower than previous estimates, due to high amount of expert work related to delivery projects in the Utilities business. Recurring revenue consists of software licensing, maintenance, and support fees. The company aims to increase recurring revenue to account for more than 50 percent of the revenue within the next three years.

During the review period, Solteq invested EUR 825 thousand in product development. The annual product development investments for Solteq Software are estimated to account for 10 to 15 percent of the segment's revenue.

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

<b>Solteq Software</b>	<b>1-3/2022</b>	<b>1-3/2021</b>	<b>Change %</b>	<b>1-12/2021</b>
Revenue, TEUR	7,435	6,209	19.7	24,753
Comparable EBITDA, TEUR	867	1,571	-44.8	4,587
Comparable EBITDA, %	11.7	25.3		18.5
EBITDA, TEUR	690	1,506	-54.2	4,352
EBITDA, %	9.3	24.3		17.6
Comparable operating result, TEUR	66	930	-93.0	1,795
Comparable operating result, %	0.9	15.0		7.3
Operating result, TEUR	-112	866	-112.9	1,560
Operating result, %	-1.5	13.9		6.3

## Balance sheet and financing

Total assets amounted to EUR 81,108 thousand (79,134) at the end of the review period. Liquid assets totaled EUR 3,704 thousand (5,923). 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 1,000 thousand of the standby credit limit and EUR 1,008 thousand of the bank account credit limit were in use. Both the standby credit limit and the bank account credit limit were unused at the end of the comparison period. 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 31,303 thousand (31,007).

Solteq Group's equity ratio was 35.7 percent (32.4).

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.

The terms of the bond include financial covenants concerning the distribution of funds and incurring financial indebtedness other than permitted under the terms of the Bond (Incurrence Covenant). The covenants require that at any agreed review date, the equity ratio exceeds 27.5 percent, the interest coverage ratio (EBITDA/net interest cost) exceeds 3.00:1, and that the Group's net interest-bearing debt to EBITDA ratio does not exceed 4:1. The conditions of the bond covenants have been fulfilled during the financial year.

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

## Investment, research, and development

The net investments during the review period were EUR 6,414 thousand (3,364). Of the net investments, EUR 5,291 thousand (2,350) were related to business acquisitions. Solteq Plc acquired the entire share capital of Enerity Solutions Oy on January 3, 2022. During the comparison period, Solteq Plc acquired the consulting business of Partiture Oy on March 1, 2021. A total of EUR 825 thousand (719) 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 298 thousand (295). Other investments include the net change in rented premises and equipment, totaling EUR 269 thousand (249).

Capitalized development costs included EUR 546 thousand (426) of personnel costs.

## Personnel

The number of permanent employees at the end of the review period was 667 (627).

## Key figures for Group's personnel

	1-3/2022	1-3/2021	1-12/2021
Average number of personnel during period	671	613	637
Employee benefit expenses, TEUR	9,743	8,650	33,987

## Related party transactions

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

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

## Shares, shareholders, and treasury shares

Solteq Plc's equity on March 31, 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 5.1 million shares (4.6) and EUR 19.5 million (20.5). The highest rate during the review period was EUR 4.94 and lowest rate EUR 2.78. The weighted average rate of the share was EUR 3.86 and end rate EUR 3.58. The market value of the company's shares at the end of the review period totaled EUR 69.4 million (103.8).

## Ownership

At the end of the review period, Solteq had a total of 8,421 shareholders (4,746). Solteq's 10 largest shareholders owned 10,358 thousand shares, i.e. they owned 53.4 percent of the company's shares and votes. Solteq Plc's members of the Board of Directors and CEO owned 15 thousand (592) shares on March 31, 2022.

## Annual General Meeting

Solteq's Annual General Meeting was held on March 24, 2022. The Annual General Meeting approved the financial statements for 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. If the conditions for dividend distribution are met, the Board of Directors is entitled, based on the authorization, to decide on the amount of the dividend within the limit of the above maximum amount, the dividend record date, the dividend payment date, and other required measures. The company will announce the possible dividend distribution decision by the Board of Directors separately and announce the applicable dividend record date and dividend payment date at the same time. The dividend to be distributed based on the resolution of the Board of Directors will be paid to shareholders who are, on the record date of the dividend payment, recorded in the shareholders' register of the company held by Euroclear Finland Oy. The authorization will be valid until September 30, 2022 (including September 30, 2022).

The Annual General Meeting authorized the Board of Directors to decide on share issue, carried out with or without payment and on issuing share options, and other special rights referred to in Chapter 10, Section 1 of the Finnish Companies Act as follows:

The maximum total amount of shares or other rights is 3,000,000. The authorization includes the right to give new shares and special rights or convey the company's own shares. The authorization includes 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, Section 1 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 new 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 to the members of the Audit Committee. Aarne Aktan acts as the Chairman of the Audit Committee.

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

## **Other events during the review period**

On 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. The table-section of this Interim Report provides more detailed information regarding the acquisition.

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

## **Events after the review period**

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 in 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 (5) board members.

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

## **Risks and uncertainties**

Material uncertainties and near-term risks consist of the general financial uncertainty caused by the war in Ukraine, the availability of labor and the possible continuance of the COVID-19 pandemic. Even though the war has not had an immediate effect on the Company's business, the weakened economy 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.

## **Financial reporting**

This Interim Report has been prepared in accordance with the recognition and valuation principles of IFRS standards and using IAS 34 and the same accounting policies as the Financial Statements 2021. The new IFRS standards, taken into use on January 1, 2022, do not have a significant impact on the Group's Interim Report. The information presented in the Interim Report has not been audited.

## Financial information

### Consolidated statement of comprehensive income

TEUR	1-3/2022	1-3/2021	1-12/2021
<b>Revenue</b>	<b>19,239</b>	<b>17,383</b>	<b>69,055</b>
Other income	25	47	113
Materials and services	-2,302	-1,948	-7,903
Employee benefit expenses	-11,481	-10,189	-40,312
Other expenses	-2,761	-1,802	-8,685
Depreciations and impairments	-1,337	-1,258	-5,144
<b>Operating profit</b>	<b>1,384</b>	<b>2,232</b>	<b>7,123</b>
Financial income and expenses	-362	-394	-1,878
<b>Profit before taxes</b>	<b>1,021</b>	<b>1,838</b>	<b>5,245</b>
Income taxes	-226	-382	-1,145
<b>Profit for the financial period</b>	<b>795</b>	<b>1,456</b>	<b>4,100</b>
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Currency translation differences	-39	-44	-46
Other comprehensive income, net of tax	-39	-44	-46
<b>Total comprehensive income</b>	<b>756</b>	<b>1,412</b>	<b>4,055</b>
Total profit for the period attributable to owners of the parent	795	1,456	4,100
Total comprehensive income attributable to owners of the parent	756	1,412	4,055
Earnings per share, EUR (undiluted)	0.04	0.08	0.21
Earnings per share, EUR (diluted)	0.04	0.08	0.21

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

## Consolidated statement of financial position

TEUR	31 Mar 2022	31 Mar 2021	31 Dec 2021
<b>Assets</b>			
<b>Non-current assets</b>			
Tangible assets	224	384	244
Right-of-use assets	4,772	6,542	5,010
Intangible assets			
Goodwill	46,484	40,918	42,325
Other intangible assets	12,789	11,911	12,092
Other investments	438	438	438
Other long-term receivables	246	157	198
<b>Non-current assets total</b>	<b>64,954</b>	<b>60,349</b>	<b>60,307</b>
<b>Current assets</b>			
Inventories	164	64	207
Trade and other receivables	12,285	12,799	11,705
Cash and cash equivalents	3,704	5,923	3,588
<b>Current assets total</b>	<b>16,153</b>	<b>18,785</b>	<b>15,500</b>
<b>Total assets</b>	<b>81,108</b>	<b>79,134</b>	<b>75,806</b>
<b>Equity and liabilities</b>			
<b>Equity attributable to equity holders of the parent company</b>			
Share capital	1,009	1,009	1,009
Share premium reserve	75	75	75
Distributable equity reserve	13,260	13,260	13,260
Retained earnings	14,416	11,017	13,660
<b>Total equity</b>	<b>28,760</b>	<b>25,361</b>	<b>28,004</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	720	635	610
Financial liabilities	24,238	24,158	24,217
Lease liabilities	3,046	4,494	3,330
<b>Non-current liabilities total</b>	<b>28,004</b>	<b>29,287</b>	<b>28,158</b>
<b>Current liabilities</b>			
Financial liabilities	2,008		
Trade and other payables	20,243	22,080	17,595
Provisions	82	51	73
Lease liabilities	2,011	2,356	1,976
<b>Current liabilities total</b>	<b>24,344</b>	<b>24,487</b>	<b>19,644</b>
<b>Total equity and liabilities</b>	<b>81,108</b>	<b>79,134</b>	<b>75,806</b>

## Consolidated cash flow statement

TEUR	1-3/2022	1-3/2021	1-12/2021
<b>Cash flow from operating activities</b>			
Profit for the financial period	795	1,456	4,100
Adjustments for operating profit	2,026	1,792	7,096
Changes in working capital	-595	310	514
Interests paid	-129	-84	-1,772
Interests received	6	4	16
<b>Net cash flow from operating activities</b>	<b>2,103</b>	<b>3,478</b>	<b>9,955</b>
<b>Cash flow from investing activities</b>			
Business acquisitions	-2,475	-1,000	-2,855
Investments in tangible and intangible assets	-932	-822	-3,064
<b>Net cash used in investing activities</b>	<b>-3,407</b>	<b>-1,822</b>	<b>-5,920</b>
<b>Cash flow from financing activities</b>			
Short-term loans, increase	2,008		
Payment of finance lease liabilities	-588	-611	-2,415
Dividend payment			-2,909
<b>Net cash used in financing activities</b>	<b>1,420</b>	<b>-611</b>	<b>-5,325</b>
<b>Changes in cash and cash equivalents</b>	<b>116</b>	<b>1,045</b>	<b>-1,289</b>
Cash and cash equivalents at the beginning of period	3,588	4,877	4,877
<b>Cash and cash equivalents at the end of period</b>	<b>3,704</b>	<b>5,923</b>	<b>3,588</b>

## Consolidated statement of changes in equity

TEUR	Share capital	Share premium account	Invested unrestricted equity reserve	Currency translation difference	Retained earnings	Total
<b>Equity 1 Jan 2021</b>	<b>1,009</b>	<b>75</b>	<b>12,910</b>	<b>-99</b>	<b>12,613</b>	<b>26,509</b>
Profit for the financial period					1,456	1,456
Other items on comprehensive income				-44		-44
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-44</b>	<b>1,456</b>	<b>1,412</b>
<b>Transactions with owners</b>						
Dividends paid					-2,909	-2,909
Share issue			350			350
<b>Transactions with owners</b>	<b>0</b>	<b>0</b>	<b>350</b>	<b>0</b>	<b>-2,909</b>	<b>-2,559</b>
<b>Equity 31 Mar 2021</b>	<b>1,009</b>	<b>75</b>	<b>13,260</b>	<b>-143</b>	<b>11,160</b>	<b>25,361</b>
<b>Equity 1 Jan 2022</b>	<b>1,009</b>	<b>75</b>	<b>13,260</b>	<b>-144</b>	<b>13,805</b>	<b>28,004</b>
Profit for the financial period					795	795
Other items on comprehensive income				-39		-39
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-39</b>	<b>795</b>	<b>756</b>
<b>Equity 31 Mar 2022</b>	<b>1,009</b>	<b>75</b>	<b>13,260</b>	<b>-184</b>	<b>14,600</b>	<b>28,760</b>

## Revenue from contracts with customers

### Solteq Digital

TEUR	1-3/2022	1-3/2021	1-12/2021
Services	10,881	10,390	41,692
Software and hardware sales	923	784	2,610
<b>Total</b>	<b>11,804</b>	<b>11,174</b>	<b>44,302</b>

### Solteq Software

TEUR	1-3/2022	1-3/2021	1-12/2021
Services	4,193	4,123	15,308
Recurring revenue / SaaS	2,408	1,809	7,789
Non-recurring sales	833	277	1,656
<b>Total</b>	<b>7,435</b>	<b>6,209</b>	<b>24,753</b>

<b>Group total</b>	<b>19,239</b>	<b>17,383</b>	<b>69,055</b>
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## Total investments

TEUR	1-3/2022	1-3/2021	1-12/2021
Group total	6,414	3,364	7,147

## Maturity of financial liabilities

	Book value	Contractual cash flows	1-12 months	13-24 months	25-36 months	Later
<b>TEUR</b>						
<b>Financial liabilities, 31 Mar 2022</b>						
Bond	22,775	27,149	1,383	1,383	24,383	
Loans from financial institutions	1,463	1,525	95	414	359	657
Lease liabilities	5,057	5,116	2,189	1,679	1,146	102
Trade payables	4,431	4,431	4,431			
<b>Financial liabilities total</b>	<b>33,706</b>	<b>38,221</b>	<b>8,098</b>	<b>3,476</b>	<b>25,888</b>	<b>760</b>
<b>Financial assets, 31 Mar 2022</b>						
Trade receivables	10,103					
Cash and cash equivalents	3,704					
<b>Financial assets total</b>	<b>13,807</b>					



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 1,000 thousand of the standby credit limit and EUR 1,008 thousand of the bank account credit limit were in use. Both the standby credit limit and the bank account credit limit were unused at the end of the comparison period.

### Fair value of financial assets and liabilities

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

### Liabilities

TEUR	31 Mar 2022	31 Mar 2021	31 Dec 2021
Business mortgages	10,000	10,000	10,000
Off-balance sheet lease liabilities	1,570	1,512	1,642

### Related party transactions

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

### Major shareholders March 31, 2022

		Shares and votes	
		number	%
1.	Profiz Business Solution Oy	2,060,769	10.62
2.	Elo Mutual Pension Insurance Company	2,000,000	10.31
3.	Ilmarinen Mutual Pension Insurance Company	1,651,293	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 Urhan	602,216	3.10
8.	Säästöpankki Small Cap Mutual Fund	500,000	2.58
9.	Väätäinen Olli Pekka	313,178	1.61
10.	OP-Finland Micro Cap	300,000	1.55
10 largest shareholders total		10,358,053	53.40
Total of nominee-registered		835,476	4.31
Others		8,202,972	42.29
<b>Total</b>		<b>19,396,501</b>	<b>100.00</b>

## Financial performance indicators

	1-3/2022	1-3/2021	1-12/2021
Revenue, MEUR	19.2	17.4	69.1
Change in revenue, %	10.7	10.9	14.2
Operating profit, MEUR	1.4	2.2	7.1
% of revenue	7.2	12.8	10.3
Profit before taxes, MEUR	1.0	1.8	5.2
% of revenue	5.3	10.6	7.6
Net investments in non-current assets, MEUR	6.4	3.4	7.1
Equity ratio, %	35.7	32.4	36.9
Net debt, MEUR	27.6	25.1	25.9
Gearing, %	96.0	98.9	92.6
Return on equity, rolling 12 months, %	12.7	13.6	15.0
Return on investment, rolling 12 months, %	11.7	11.9	13.0
Personnel at end of period	667	627	648
Personnel average for period	671	613	637

## Key indicators per share

	1-3/2022	1-3/2021	1-12/2021
Earnings per share, EUR (undiluted)	0.04	0.08	0.21
Earnings per share, EUR (diluted)	0.04	0.08	0.21
Equity per share, EUR	1.48	1.31	1.44

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

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

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

## Items affecting comparability and alternative performance measures

### Items affecting comparability:

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

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

### Comparable operating profit (EBIT)

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

TEUR	1-3/2022	1-3/2021	1-12/2021
<b>Operating profit (EBIT)</b>	<b>1,384</b>	<b>2,232</b>	<b>7,123</b>
<b>Items affecting comparability</b>			
Acquisition costs	124	64	189
Cost of integrating the acquired business	14		7
Non-recurring severance packages	36		68
Costs incurred by the re-organization of operations	29		25
<b>Total items affecting comparability</b>	<b>202</b>	<b>64</b>	<b>289</b>
<b>Comparable operating profit (EBIT)</b>	<b>1,586</b>	<b>2,296</b>	<b>7,412</b>

### Calculation of financial ratios

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

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

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

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

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

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

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

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

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

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

## Business Combinations

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.

<b>TEUR</b>	<b>1-3/2022</b>
<b>Consideration</b>	
Paid in cash	5 291
<b>Total</b>	<b>5 291</b>
<b>Values of the assets and liabilities arising from the acquisition</b>	
Tangible assets	5
Intangible assets **	577
Trade and other receivables	229
Cash and cash equivalents	869
<b>Total assets</b>	<b>1 680</b>
Trade payables and other liabilities	445
Financial liabilities	115
<b>Total liabilities</b>	<b>560</b>
<b>The goodwill value of the acquisition</b>	<b>4 171</b>
<b>Cash flow from the acquisition</b>	
Consideration paid in cash in 2022	3 344
Cash and cash equivalents of the acquired companies	869
<b>Total cash flow from the acquisition</b>	<b>2 475</b>
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 29 thousand euros.	
<b>Expenses related to the acquisition</b>	
Other expenses	124
<b>Total expenses related to the acquisition</b>	<b>124</b>
<b>Impact on the Solteq Group's number of personnel</b>	<b>17</b>
<b>Impact on the Solteq Group's comprehensive income statement</b>	
<b>1-3/2022</b>	
Revenue *	586
Operating profit *	135

\* The amount of the revenue and the operating profit from the acquisition date to the end of the reporting period. Enerity Solutions Oy is consolidated to Solteq Group as of the beginning of the reporting period.

## Business Combinations in the Financial Year 2021

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.

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

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.

**Financial reporting**

Solteq Plc's financial information bulletins in 2022 have been scheduled as follows:

- Half Year Report 1-6/2022 Thursday August 11, 2022 at 8.00 am
- Interim Report 1-9/2022 Thursday October 27, 2022 at 8.00 am

More investor information is available on Solteq's website at [www.solteq.com](http://www.solteq.com).

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