Solteq Plc

BOARD OF DIRECTORS' REPORT AND FINANCIAL STATEMENTS

JANUARY 1 - DECEMBER 31, 2023

This is a voluntary prepared pdf report, so it does not fulfill the disclosure obligation pursuant to Section 7:5§ of the Securities Markets Act.

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Report of the Board of Directors

Weakened demand in Retail & Commerce and profitability problems in Utilities hindered financial performance, better towards the end of the year

The year 2023 was tough for Solteq. The revenue and profitability development was hindered by the weakened demand in the Retail & Commerce segment, along with the continued problems in the development and quality of products in the Utilities segment. The Group’s comparable revenue was EUR 54.2 million (57.2), down by 5.3 percent relative to the comparison period. The comparable EBITDA was EUR 0.7 million (4.5), and the comparable operating result was EUR -3.9 million (-0.6).

In Retail & Commerce, the comparable revenue for the financial year was EUR 40.5 million (42.6). The comparable EBITDA was EUR 3.4 million (4.9), and the comparable operating result was EUR 0.7 million (1.7) for the financial year. The volatile world economy negatively impacted demand for services and solutions offered by the segment, as well as cost levels. In the second quarter of the year, the segment’s business based on Microsoft Dynamics 365 Business Central and LS Retail was sold to Azets Group. The net debt-free purchase price of the business will be closed in the second quarter of the ongoing financial year, and it will be EUR 15–20 million. The transaction allowed the company to decrease its indebtedness and focus even more on the chosen software solutions, expert services, and business areas.

In the Utilities segment, the revenue diminished in the financial year and was EUR 13.7 million (14.6). Problems in the quality and development of Utilities software products burdened the performance of the segment particularly in the first half of the year. This reduced customer invoicing and increased project delivery costs. For the financial year, the comparable EBITDA was EUR -2.7 million (-0.5), and the comparable operating result was EUR -4.5 million (-2.3). In the third quarter, the company initiated change negotiations for the Utilities software business to improve profitability and operational efficiency. The negotiations were completed in the fourth quarter. As a result of the negotiations and implemented efficiency and cost-saving measures, the company expects to achieve approximately EUR 3.8 million in cost savings annually. These savings are expected to be fully realized during the financial year 2024, although optimizing cost structure during the review period has already enhanced the segment's profitability.

During the fourth quarter of the review period, the company announced a change in its product development practices. Developing its software products had become an integral part of continuous services and standard operations, and the costs related to product development no longer met the requirements for activating them. During the fourth quarter, the company treated the product development expenses of its existing software products as cost items in the income statement, as part of normal business operations, and ceased product development cost activations. Additionally, in December 2023, the company assessed the product development investment activations on the balance sheet and the expected returns. As a result of the assessment, the company made a EUR 7.5 million write-off, issued a profit warning, and updated its profit guidance.

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. 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 more intelligent and efficient core functions. The company estimates that its offering matches 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 towards renewable energy, 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 long-term market outlook for the Utilities segment is expected to remain good and provide opportunities for profitable growth.

The volatile world economics has created significant uncertainties, such as high inflation and increased interest rates, which negatively affect the customer organizations' capability to invest in solutions and services represented by the Retail & Commerce segment. The long-term market outlook for Retail and commerce is moderate, and the Nordic markets are slowly recovering from the economic downturn. The rapidly evolving digitalization, adoption of omnichannel and AI strategies, and the need for secure, reliable, and coherent IT ecosystems will accelerate the demand as the economies stabilize.

Profit guidance 2024

The company expects the comparable revenue to grow and the operating result to be positive. The comparable revenue was EUR 54,183 thousand for the financial year 2023.

Key Figures

	2023	2022	Change-% 2023-2022	2021
Revenue, TEUR	57,655	68,426	-15.7	69,055
Comparable revenue, TEUR	54,183	57,230	-5.3	56,633
EBITDA, TEUR	8,695	5,555	56.5	12,267
Comparable EBITDA, TEUR	694	4,469	-84.5	10,209
Operating result, TEUR	-3,541	-4,406	-19.6	7,123
Comparable operating result, TEUR	-3,881	-613	533.2	5,568
Result for the financial period, TEUR	-5,380	-5,404	-0.4	4,100
Earnings per share, EUR	-0.28	-0.28	-0.4	0.21
Operating result, %	-6.1	-6.4		10.3
Comparable operating result, %	-7.2	-1.1		9.8
Equity ratio, %	30.1	30.3		36.9

Revenue and Profit

Revenue decreased by 15.7 percent compared to the previous year and totaled EUR 57,655 thousand (68,426). Operating result for the review period was EUR -3,541 thousand (-4,406). Comparable operating result was EUR -3,881 thousand (-613). Result before taxes was EUR -4,715 thousand (-6,574) and the result for the financial period was EUR -5,380 thousand (-5,404).

Retail & Commerce

The segment's comparable revenue for the review period was EUR 40,486 thousand (42,629), a decrease of 5.0 percent relative to the comparison period. The comparable EBITDA was EUR 3,363 thousand (4,931), and the comparable operating result was EUR 666 thousand (1,695).

On April 17, 2023, Solteq announced the selling of its business based on Microsoft BC and LS Retail ERP systems to Azets Group. The transaction was completed on May 2, 2023.

The segment provides software solutions and expert services for the retail industry and e-commerce. Of the segment's revenue, 60.0 percent came from e-commerce solutions and expert services, 10.0 percent from ERP systems, and 30.0 percent from solutions and expert services related to the retail industry.

Utilities

The segment's revenue for the review period was EUR 13,697 thousand (14,601), down by 6.2 percent relative to the comparison period. The segment's comparable EBITDA was EUR -2,669 thousand (-462), and the comparable operating result was EUR -4,547 thousand (-2,308).

Utilities offers software solutions and expert services for the energy sector. Software solutions accounted for 83.7 percent, and expert services for 16.3 percent of the segment's revenue.

Recurring revenue accounted for 33.2 percent of the segment's revenue and consists of software licensing, maintenance, and support fees. In the long term, the aim is to raise recurring software-based revenue to half of the Utilities segment's revenue.

The persistent work with product development and quality assurance continued throughout the review period. The results are expected to materialize in the financial year 2024.

The segment has been exploring the business potential of the Salesforce-based customer information system, acquired in November 2022. The solution has generated customer interest and is being further developed to expand the applications from water to electricity and district heating.

On August 29, 2023, change negotiations concerning the segment's software business were initiated to restructure the organization and improve the business's profitability. As a result of the negotiations and the efficiency and cost savings measures taken, the company estimates to achieve annual cost-savings of approximately EUR 3.8 million. The majority of cost savings are expected to be realized for 2024. Following the negotiations, the number of employees working for the Utilities software business was reduced by 39 in Finland. In addition, the company implemented cost savings and reduction measures in other group companies.

Balance Sheet and Finance

Total assets amounted to EUR 57,189 thousand (74,336) at the end of the review period. Liquid assets totaled EUR 1,853 thousand (2,057). The company has a standby credit limit of EUR 5,000 thousand. At the end of the review period, EUR 1,000 thousand (5,000) of the standby credit limit was in use. The company also has a bank account credit limit of EUR 2,000 thousand. At the end of the review period, EUR 698 thousand (805) of the bank account credit limit was in use. At the end of the review period, the company had a EUR 329 thousand (1,463) Business Finland loan for product development. During the review period, the company received a decision from Business Finland, whereby a total of EUR 1,011 thousand will not be collected from the capital of the loans granted for research and product development projects that ended in the previous financial period.

The Group's interest-bearing liabilities were EUR 26,357 thousand (33,474).

Solteq Group's equity ratio was 30.1 percent (30.3).

On October 1, 2020, Solteq issued a fixed rate senior 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. Solteq Plc repurchased a share of the above-mentioned bond with a nominal value of EUR 0.6 million in the financial year 2023.

The company has initiated measures to arrange refinancing during the financial year 2023. The arrangement consists of the renewal of the existing bond and of the standby and bank account credit limits. The financial negotiations and related measures have progressed as planned and the management believes that the negotiations will end with a positive outcome. Based on this, the management estimates that operations will continue and that the risk of insufficient funding is small.

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 reporting period. 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 2,868 thousand (9,217). During the review period, no investments were made in business acquisitions, but of the net investments in the comparison period, EUR 5,291 thousand were related to business acquisitions. The effect of the Microsoft BC and LS Retail business transaction in May 2023 on the goodwill at the time of sale was EUR -5,904 thousand. In the comparison period, on January 3, 2022, Solteq Plc acquired the entire share capital of Enerity Solutions Oy and the entire share capital of S2B Energia Oy on November 7, 2022. A total of EUR 2,698 thousand (3,676) of the net investments were capitalized development costs relating to the continued further development of the existing software products and the development of new software products. Other investments were EUR 170 thousand (250). Other investments include the net change in rented premises and equipment, totaling EUR 170 thousand (302). During the review period, the Company made a EUR 3,955 thousand write-off to the development costs in the Utilities business and EUR 3,520 thousand in the Retail & Commerce business.

Capitalized development costs included EUR 1,501 thousand (2,367) in personnel costs.

Personnel

The number of permanent employees at the end of the review period was 498 (662).

	2023	2022	2021
Average number of personnel during the financial period	572	676	637
Employee benefit expenses, TEUR	33,570	37,273	33,987

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, 2023, 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 4.5 million shares (13.0) and EUR 4.9 million (36.3). The highest rate during the review period was EUR 1.80 and the lowest rate was EUR 0.68. The weighted average rate of the share was EUR 1.08, and the end rate was EUR 0.76. The market value of the company's shares at the end of the review period totaled EUR 14.7 million (23.9).

Ownership

At the end of the review period, Solteq had a total of 7,060 shareholders (7,864). Solteq's 10 largest shareholders owned 10,486 thousand shares, i.e., they owned 54.1 percent of the company's shares and votes. Solteq Plc's members of the Board of Directors and CEO owned 79 thousand (26) shares on December 31, 2023.

Distribution of Holdings and Shareholder Information

Distribution of Holdings by Sector December 31, 2023

	Number of owners		Shares and votes	
	PCS	**%**	**PCS**	**%**
Private companies	212	3.00	4,225,409	21.78
Financial and insurance institutions	10	0.14	1,254,455	6.47
Public sector organizations	3	0.04	5,196,890	26.79
Households	6,807	96.42	8,412,941	43.37
Non-profit organizations	4	0.06	93,731	0.48
Foreign owners	16	0.23	213,075	1.10
Total	**7,060**	**100.00**	**19,396,501**	**100.00**
Total of nominee registered	8	0.11	231,969	1.20

Distribution of Holdings by Number of Shares December 31, 2023

	Number of owners		Shares and votes	
Number of shares	**PCS**	**%**	**PCS**	**%**
1 - 100	2,402	34.02	112,349	0.58
101 – 1,000	3,470	49.15	1,429,620	7.37
1,001 – 10,000	1,059	15.00	2,994,455	15.44
10,001 – 100,000	112	1.59	3,223,506	16.62
100,001 – 1,000,000	13	0.18	4,244,112	21.88
1,000,000 -	4	0.06	7,392,459	38.11
Total	**7,060**	**100.00**	**19,396,501**	**100.00**
of which nominee registered	8	0.11	231,969	1.20

Major Shareholders December 31, 2023

		Shares and votes	
		number	**%**
1.	Profiz Business Solution Oy	2,195,569	11.32
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	625,000	3.22
7.	Saadetdin Ali Urhan	602,216	3.10
8.	Säästöpankki Small Cap Mutual Fund	500,000	2.58
9.	Incedo Oy	313,178	1.61
10.	Mandatum Life Insurance Company Ltd.	283,439	1.46
10 largest shareholders total		**10,486,292**	**54.06**
Total of nominee-registered		231,969	1.20
Others		8,678,240	44.74
Total		**19,396,501**	**100.00**

Annual General Meeting

Solteq's Annual General Meeting was held on March 29, 2023. The Annual General Meeting approved the financial statements for the period January 1–December 31, 2022, and discharged the CEO and the Board of Directors from liability.

In accordance with the proposal of the Board of Directors, it was resolved that no dividend is distributed for the financial year that ended on December 31, 2022.

The Annual General Meeting approved the shareholders' proposal to establish a Shareholders' Nomination Committee for the company and its Rules of Procedure were confirmed.

The Annual General Meeting adopted the remuneration report of the company's governing bodies. The decision to adopt the remuneration report is advisory.

The Annual General Meeting approved the proposal of the Board of Directors to amend Article 11 of the Articles of Association to enable holding general meetings of shareholders remotely entirely without a physical meeting venue.

The Annual General Meeting authorized the Board of Directors to decide on a 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 Limited Liability Companies Act as follows:

The maximum total number of shares or other rights issued under the authorization is 2,000,000. The authorization includes the right to issue new shares and special rights or convey treasury shares. The new shares and rights can be issued, and treasury shares conveyed in a directed share issue deviating from the shareholders' pre-emptive right of subscription if there is a weighty financial reason for the company, e.g., to improve the capital structure, to execute business acquisitions, and other business improvement arrangements. The authorization cannot be used to implement the company's incentive schemes. The authorization is proposed to include the right for the Board of Directors to decide on all other terms concerning the share issue and granting 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 the subscriber's receivable to offset the subscription price and record it in the company's balance sheet. The authorization is effective until the next Annual General Meeting, however, no longer than April 30, 2024. This authorization cancels the corresponding decision made by the Annual General Meeting 2022.

The Annual General Meeting authorized the Board of Directors to decide on a 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 Limited Liability Companies Act as follows:

The maximum total number of shares or other rights issued under the authorization is 1,000,000. The authorization includes the right to issue new shares and special rights or convey treasury shares. The new shares and rights can be issued, and treasury shares conveyed in a directed share issue deviating from the shareholders' pre-emptive right of subscription as part of the implementation of the company's incentive schemes, which means there is a weighty financial reason for the company. The purpose of such incentive schemes must be to bind the company's key personnel for a period of 3-5 years. In addition, the purpose is that the now granted authorization's maximum amount covers the company's key personnel's incentive schemes for at least 3 years. The authorization is proposed to include the right for the Board of Directors to decide on the other terms concerning the share issue and granting special rights, including the subscription price and payment of the subscription price in cash or by using the subscriber's receivable to offset the subscription price and record it in the company's balance sheet. The authorization is effective until April 30, 2026. This authorization cancels the corresponding decision made by the Annual General Meeting 2022.

The Annual General Meeting authorized the Board of Directors to decide on repurchasing the company's own shares as follows: The number of own shares to be repurchased based on the authorization cannot exceed 500,000. Shares may be repurchased in one or more lots. The Company may use only unrestricted equity to repurchase its own shares.

Own shares may be repurchased 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 at most 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 business acquisitions and other business improvement arrangements, or as a part of the implementation of the company's incentive schemes. The authorization is effective until the next Annual General Meeting, however, no longer than April 30, 2024. This authorization cancels the corresponding decision made by the Annual General Meeting 2022.

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) in connection with business acquisitions or when executing other business arrangements. The pledge may occur in one or several transactions. The number of own shares accepted as pledge cannot exceed 2,000,000. The Board of Directors decides on other terms concerning the pledge. The authorization is effective until the next Annual General Meeting, however, no longer than April 30, 2024. This authorization cancels the corresponding decision made by the Annual General Meeting 2022.

Board of Directors and Auditors

The Annual General Meeting on March 29, 2023, resolved to re-elect the current members of the Board of Directors Markku Pietilä, Panu Porkka, Anni Sarvaranta, Katarina Cantell, and Mika Sutinen, and elect Esko Mertsalmi as a new member of the Board.

In its organizing meeting after the Annual General Meeting, the Board of Directors re-elected Markku Pietilä as its chairman.

Mika Sutinen, Katarina Cantell, and Markku Pietilä were elected as members of the Audit Committee. Mika Sutinen acts as the Chairman of the Audit Committee.

The Annual General Meeting resolved that KPMG Oy Ab, would continue as the company's auditor. KPMG Oy Ab has informed that Petri Sammalisto, Authorized Public Accountant, is the auditor with principal responsibility.

Other Events During the Review Period

On January 16, 2023, Solteq 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 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.

On March 22, 2023, Solteq published comparable data according to the new reporting structure for the financial year 2022. Starting from the financial year 2023, the Group's reported business segments are Utilities and Retail & Commerce. The reported business segments in the previous reporting structure were Solteq Software and Solteq Digital.

On April 17, 2023, Solteq announced having sold its ERP business based on Microsoft BC and LS Retail solutions to Azets Group. The completion of the transaction took place on May 2, 2023. The table section of this Financial Statements Bulletin provides more detailed information regarding the transaction.

On April 17, 2023, Solteq announced withdrawing the profit guidance, published on February 16, 2023, due to the ongoing business transfer transaction.

On May 3, 2023, Solteq issued the new profit guidance for 2023. The company’s new profit guidance for 2023 is: Solteq’s revenue is expected to be EUR 60–62 million and operating result to be slightly negative excluding the one-time profit recognition of EUR 8 million on the sale of the Group’s ERP business based on Microsoft BC and LS Retail solutions. The previous profit guidance for 2023 was: Solteq Group’s revenue is expected to remain on the same level and operating profit to be positive.

On August 23, 2023, Solteq announced initiating change negotiations to improve operational efficiencies and profitability in the Utilities segment.

On September 6, 2023, Solteq announced that the members of Shareholders’ Nomination Committee have been appointed. The Shareholders’ Nomination Committee of Solteq Plc consists of representatives of the four largest shareholders, registered on August 31, 2023.

On September 19, 2023, Solteq issued a profit warning, lowering its 2023 profit guidance for revenue and operating result. The new profit guidance for 2023 is: Solteq’s revenue is expected to be EUR 57–59 million and operating result to be negative, excluding the one-time profit recognition of EUR 8 million on the sale of the Group’s ERP business based on Microsoft BC and LS Retail solutions.

On September 20, 2023, Solteq published the financial reporting schedule and planned Annual General Meeting date for 2024.

On October 11, 2023, Solteq announced having completed the change negotiations concerning the Utilities segment. As a result of efficiency and cost savings measures to be implemented, the company estimates to achieve annual cost savings of approximately EUR 3.8 million in total. The majority of cost savings are expected to be realized for 2024. As a result of the negotiations, the number of employees working for the Utilities software business will reduce by, at most, 39 due to resignations and lay-offs.

On December 20, 2023, Solteq announced having changed its product development practices during the current financial year, having assessed the activated product development investments on the balance sheet and their expected returns, and writing off product development investments made. The write-off has no cash flow impact. As a result of the write-off, the company updated its profit guidance for 2023: Solteq's revenue is expected to be EUR 57–59 million and operating result to be negative, excluding the one-time profit recognition of EUR 8 million on the sale of the Group's ERP business based on Microsoft BC and LS Retail solutions and the one-time EUR 6.3 million product development investment write-off.

Events After the Reporting Period

On January 25, 2024, Solteq announced the proposals of Solteq's Shareholders' Nomination Committee for the 2024 Annual General Meeting. Solteq Plc's Shareholders' Nomination Committee proposes to the Annual General Meeting, planned to be held on March 27, 2024, that seven (7) members are elected to the Board of Directors, the current Board members – Markku Pietilä, Katarina Cantell, Panu Porkka, Anni Sarvaranta, Mika Sutinen, and Esko Mertsalmi – are re-elected, and Lotta Airas is elected as a new member of the Board. The Board members' term will end at the close of the 2025 Annual General Meeting.

On February 2, 2024, Solteq announced changes in the Executive Team of Solteq Plc as of February 2, 2024. With the change, Kari Lehtosalo, the company's CFO and member of the Executive Team since 2019, will step down from his position by mutual agreement. The Board of Directors of Solteq Plc has appointed LL.M. Mikko Sairanen (b. 1985) as the company's new CFO. He will also continue in his role as the company's General Counsel.

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 Bulletin.

Going concern principle

The financial statements for the financial year 2023 have been drawn up under the going concern principle. In assessing the going concern principle, the management of the company has considered the risks related to the refinancing of the company. The key elements of Solteq Group's debt financing are a fixed-rate bond, as well as standby and bank account credit limits.

Solteq issued a fixed-rate unsecured senior bond with a nominal value of EUR 23.0 million on October 1, 2020. Of the EUR 23.0 million bond outstanding at the time of the financial statements bulletin, EUR 0.6 million was held by the company. The bond matures on October 1, 2024. The standby and bank account credit limits total EUR 7.0 million. The related financial covenants are linked to the terms of the bond.

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 reporting period. 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.

The company has initiated measures to arrange refinancing of the company. The arrangement consists of the renewal of the existing bond and of the standby and bank account credit limits.

In assessing the going concern, the management of the company has considered the effects of the measures taken during the financial year 2023 on the company's financial performance, financial forecasts and risks related to financial negotiations. Based on these factors, management estimates that operations will continue and that the risk of insufficient funding is small. The company believes that the planned financing arrangements will lead to a favorable outcome. However, if the company fails to restructure the financing, this would jeopardize the continuity of the company's operations.

These financial statements have therefore been drawn up under the going concern principle.

Risks and Uncertainties

In the management's view, the material uncertainties and near-term risks directed at the company's business and financial position in the near future are related to the general economic uncertainty caused by Russia's invasion of Ukraine, high inflation, and the financial market situation.

Russia's invasion of Ukraine has had no direct impact on the company's business. However, the weakened economic situation, inflation, rising financing costs and other indirect impacts may further weaken customer companies' investments in Solteq's products and services in both the short and long term. The weakening of the security situation increases the risk of cyber attacks and other disruptions in society that may have an impact on the company's business.

In addition, tightening financial markets and their functionality may affect the company's financing costs or the availability of financing. The risk to the financial position relates especially to the refinancing of a fixed-rate unsecured senior bond issued by the company with a nominal value of EUR 23.0 million. The bond matures on October 1, 2024. The company has initiated measures to arrange refinancing.

Other key uncertainties and risks relate to managing changes in the balance sheet structure, the timing and pricing of transactions on which revenue is based, changes in the cost level, the development of the company's own products and their commercialization, and the company's ability to manage extensive contract and delivery packages.

The most important risks and uncertainties for the company's business are monitored regularly as part of the work of the Board of Directors and Executive Team. In addition, the company has an Audit Committee appointed by the Board of Directors, whose tasks include monitoring the company's financial and financing situation.

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

At the end of financial year 2023, the distributable equity of the Group's parent company is 19,466,865.03 euros. Solteq Plc's Board of Directors proposes to the Annual General Meeting that for the financial year 2023, 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 2023.

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

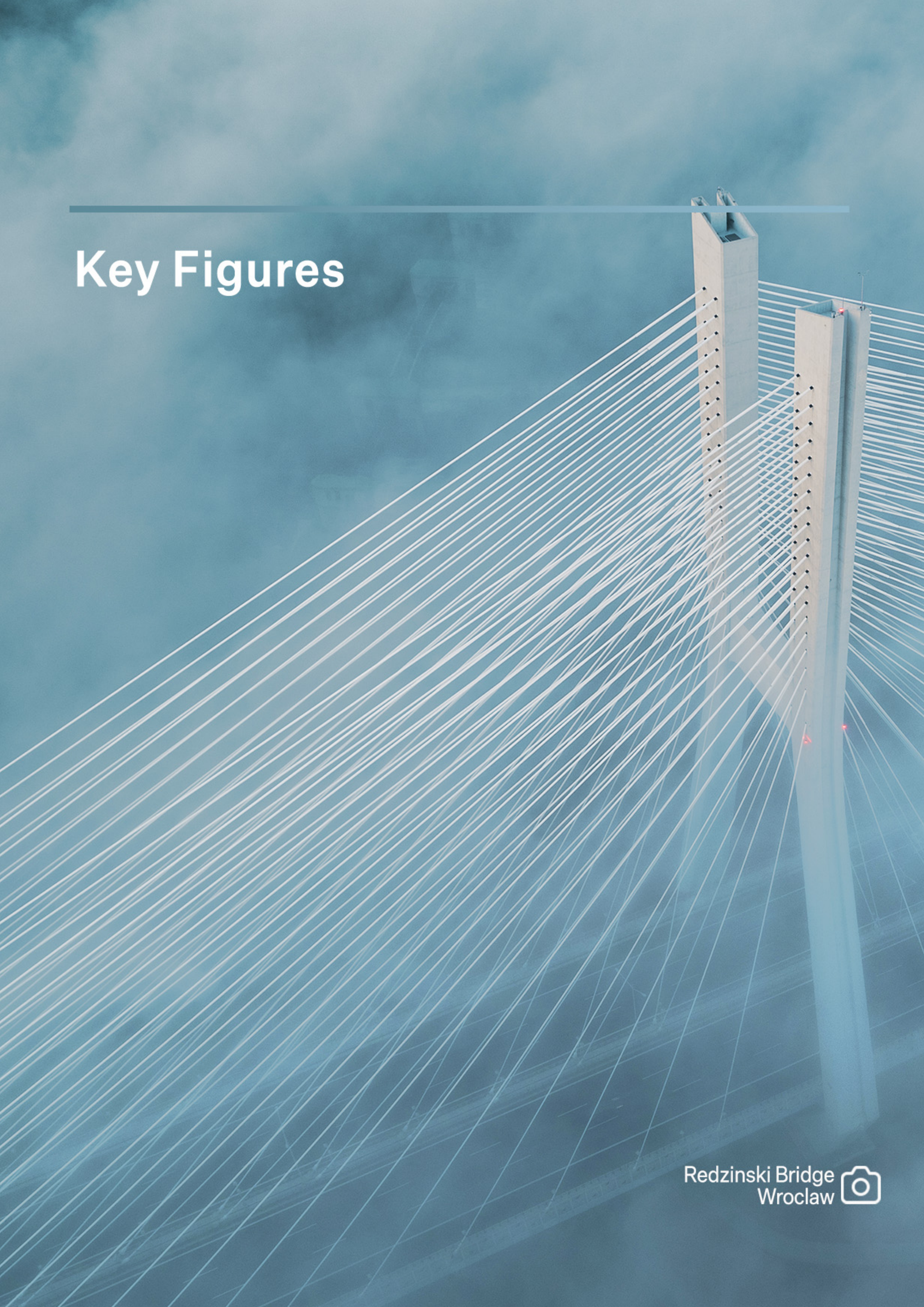
Corporate Governance Statement

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



Redzinski Bridge
Wroclaw

Key Figures of the Group

Key figures outlining the group's financial development	2023	2022	2021	2020	2019
Revenue, MEUR	57.7	68.4	69.1	60.5	58.3
Change in revenue, %	-15.7	-0.9	14.2	3.7	2.5
Operating result, MEUR	-3.5	-4.4	7.1	5.4	5.7
% of revenue	-6.1	-6.4	10.3	8.9	9.8
Result before taxes, MEUR	-4.7	-6.6	5.2	2.7	3.7
% of revenue	-8.2	-9.6	7.6	4.5	6.3
Return on equity, %	-27.1	-21.4	15.0	7.8	12.1
Return on investment, %	-4.1	-6.9	13.0	9.1	10.4
Equity ratio, %	30.1	30.3	36.9	35.5	32.0
Net investments in non-current assets, MEUR	2.9	9.2	7.1	5.5	4.6
% of revenue	5.0	13.5	10.3	9.0	7.9
Research and development costs, MEUR	2.4	3.7	2.8	3.0	3.9
% of revenue	4.1	5.4	4.1	5.0	6.7
Net debt, MEUR	24.5	31.4	25.9	26.5	31.5
Gearing, %	142.3	139.4	92.6	99.9	128.5
Average number of employees over the financial period	572	676	637	593	597

Group's key figures per share	2023	2022	2021	2020	2019
Earnings per share, EUR	-0.28	-0.28	0.21	0.10	0.15
Equity per share, EUR	0.89	1.16	1.44	1.37	1.27
Dividends per share, EUR	0.00	0.00	0.00	0.15	0.00
Dividend from result, %	0.0	0.0	0.0	146.3	0.0
Effective dividend yield, %	0.0	0.0	0.0	5.4	0.0
Price–earnings ratio (P/E)	-2.7	-4.4	22.1	27.3	10.3
Highest share price, EUR	1.80	4.94	7.16	3.7	1.65
Lowest share price, EUR	0.68	1.15	2.56	0.96	1.27
Average share price, EUR	1.08	2.81	5.08	1.95	1.44
Market value of the shares, TEUR	14,741	23,858	90,776	54,058	28,767
Shares trade volume, 1,000 pcs	4,486	13,024	25,148	6,720	808
Shares trade volume, %	23.1	67.1	129.7	34.8	4.2
Weighted average of the share issue corrected number of shares during the financial period, 1,000 pcs	19,397	19,397	19,382	19,307	19,307
Number of shares corrected by share issue at the end of the financial period, 1,000 pcs	19,397	19,397	19,397	19,307	19,307

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 Utilities segment:

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

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 revenue

The reconciliation of the comparable revenue to revenue is presented in the table below.

	2023			2022		
TEUR	**Retail & Commerce**	**Utilities**	**Group**	**Retail & Commerce**	**Utilities**	**Group**
Revenue	**43,958**	**13,697**	**57,655**	**53,826**	**14,601**	**68,426**
Items affecting comparability						
BC / LS Retail business transfer agreement	-3,472		-3,472	-11,196		-11,196
Total items affecting comparability	**-3,472**	**0**	**-3,472**	**-11,196**	**0**	**-11,196**
Comparable revenue	**40,486**	**13,697**	**54,183**	**42,629**	**14,601**	**57,230**

Comparable EBITDA and Operating Profit (EBIT)

	2023			2022		
TEUR	**Retail & Commerce**	**Utilities**	**Group**	**Retail & Commerce**	**Utilities**	**Group**
Comparable EBITDA*	**3,363**	**-2,669**	**694**	**4,931**	**-462**	**4,469**
Comparable EBITDA, %	8.3	-19.5	1.3	11.6	-3.2	7.8
Operating profit (EBIT)	**5,177**	**-8,718**	**-3,541**	**-1,842**	**-2,564**	**-4,406**
Items affecting comparability						
BC / LS Retail business transfer agreement	-8,379	-32	-8,410	-1,501		-1,501
Acquisition costs			0		124	124
Cost of integrating the acquired business			0		24	24
Non-recurring severance packages	262	248	509	117	47	164
Fines and similar indemnities and damages			0	2	27	29
Impairments	3,584	3,955	7,539	4,439	9	4,448
Costs incurred by the re-organization of operations	22		22	479	26	506
Total items affecting comparability	**-4,512**	**4,171**	**-340**	**3,536**	**256**	**3,793**
Comparable operating profit (EBIT)	**666**	**-4,547**	**-3,881**	**1,695**	**-2,308**	**-613**
Comparable operating profit, %	1.6	-33.2	-7.2	4.0	-15.8	-1.1

* 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.

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Consolidated Financial Statements

Consolidated Statement of Comprehensive Income

TEUR	Notes	1 Jan 2023 - 31 Dec 2023	1 Jan 2022 - 31 Dec 2022
Revenue	2.1, 2.2	**57,655**	**68,426**
Other income	2.4	8,309	166
Materials and services		-7,033	-7,550
Employee benefit expenses	2.3	-39,936	-44,560
Other expenses	2.4, 2.5	-10,299	-10,928
Depreciations and impairments	3.4	-12,236	-9,960
Operating profit		**-3,541**	**-4,406**
Financial income	2.6	1,497	504
Financial expenses	2.6	-2,671	-2,672
Profit before taxes		**-4,715**	**-6,574**
Income taxes	2.7	-665	1,170
Profit for the financial period		**-5,380**	**-5,404**
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Currency translation differences		60	-61
Other comprehensive income, net of tax		60	-61
Total comprehensive income		**-5,320**	**-5,465**
Earnings per share attributable to equity holders of the parent			
Earnings per share, EUR (undiluted)		-0.28	-0.28
Earnings per share, EUR (diluted)		-0.28	-0.28

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

The financial statements should be read together with the notes

Consolidated Statement of Financial Position

TEUR	Notes	31 Dec 2023	31 Dec 2022
Assets			
Non-current assets			
Tangible assets	3.1	25	64
Right-of-use assets	3.2	1,781	3,309
Intangible assets			
Goodwill	3.3	40,555	46,493
Other intangible assets	3.3	1,236	9,125
Other investments	5.3	437	437
Deferred tax assets	2.7	1,222	1,380
Trade and other receivables	4.1	260	269
Non-current assets total		**45,515**	**61,078**
Current assets			
Inventories	4.2	60	133
Trade and other receivables	4.1	9,762	11,068
Cash and cash equivalents	5.4	1,853	2,057
Current assets total		**11,674**	**13,258**
Total assets		**57,189**	**74,336**
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
Currency translation difference		-146	-205
Retained earnings		3,021	8,400
Total equity		**17,219**	**22,539**
Non-current liabilities			
Deferred tax liabilities	2.7	575	759
Financial liabilities	5.2	246	24,179
Lease liabilities	5.2	405	1,694
Non-current liabilities total		**1,226**	**26,632**
Current liabilities			
Financial liabilities	5.2	24,149	5,928
Trade and other payables	4.3	12,940	17,485
Provisions	4.4	99	78
Lease liabilities	5.2	1,556	1,673
Current liabilities total		**38,745**	**25,164**
Total liabilities		**39,970**	**51,797**
Total equity and liabilities		**57,189**	**74,336**

The financial statements should be read together with the notes

Consolidated Cash Flow Statement

TEUR	Notes	1 Jan 2023 - 31 Dec 2023	1 Jan 2022 - 31 Dec 2022
Cash flow from operating activities			
Profit for the financial period		-5,380	-5,404
Adjustments for operating profit	2.9	5,621	10,275
Changes in working capital		-3,471	852
Interests paid		-2,154	-1,854
Interests received		81	18
Net cash flow from operating activities		**-5,302**	**3,887**
Cash flow from investing activities			
Business acquisitions		-20	-5,109
Divested businesses		14,137	
Investments in tangible and intangible assets		-2,351	-3,454
Net cash used in investing activities		**11,766**	**-8,563**
Cash flow from financing activities			
Long-term loans, decrease	5.2	-548	-8
Short-term loans, increase	5.2	4,371	6,813
Short-term loans, decrease	5.2	-8,601	-1,194
Payment of lease liabilities	5.2	-1,891	-2,465
Net cash used in financing activities		**-6,668**	**3,145**
Changes in cash and cash equivalents		**-204**	**-1,531**
Cash and cash equivalents at the beginning of period		2,057	3,588
Cash and cash equivalents at the end of period	5.4	**1,853**	**2,057**

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

TEUR	2023	2022
Cash and cash equivalents	1,853	2,057
Total	**1,853**	**2,057**

The financial statements should be read together with the notes

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 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**
Equity 1 Jan 2023	**1,009**	**75**	**13,260**	**-205**	**8,400**	**22,539**
Result for the financial period					-5,380	-5,380
Other items on comprehensive income				60		60
Total comprehensive income	**0**	**0**	**0**	**60**	**-5,380**	**-5,320**
Equity 31 Dec 2023	**1,009**	**75**	**13,260**	**-146**	**3,021**	**17,219**

The financial statements should be read together with the notes

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 23, 2024. 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, 2023. 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 Going Concern principle

The financial statements for the financial year 2023 have been drawn up under the going concern principle. In assessing the going concern principle, the management of the company has considered the risks related to the refinancing of the company. The key elements of Solteq Group's debt financing are a fixed-rate bond, as well as standby and bank account credit limits.

Solteq issued a fixed-rate unsecured senior bond with a nominal value of EUR 23.0 million on October 1, 2020. Of the EUR 23.0 million bond outstanding at the time of the financial statements bulletin, EUR 0.6 million was held by the company. The bond matures on October 1, 2024. The standby and bank account credit limits total EUR 7.0 million. The related financial covenants are linked to the terms of the bond.

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 reporting period. 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.

The company has initiated measures to arrange refinancing of the company. The arrangement consists of the renewal of the existing bond and of the standby and bank account credit limits.

In assessing the going concern, the management of the company has considered the effects of the measures taken during the financial year 2023 on the company's financial performance, financial forecasts and risks related to financial negotiations. Based on these factors, management estimates that operations will continue and that the risk of insufficient funding is small. The company believes that the planned financing arrangements will lead to a favorable outcome. However, if the company fails to restructure the financing, this would jeopardize the continuity of the company's operations.

These financial statements have therefore been drawn up under the going concern principle.

1.4 New and Amended Standards Applied in Financial Year

New and Amended Standards Adopted in 2023

The impact from new and amended standards issued during financial year 2023 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.

1.5 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 has two reportable business segments: Utilities and Retail & Commerce. The Utilities segment offers software solutions and expert services for the energy sector. The Retail & Commerce segment is focused on the software solutions and expert services related to retail industry and e-commerce.

Since the beginning of the financial year 2023, the reportable business segments of the Group have been Utilities and Retail & Commerce (Solteq Software and Solteq Digital in the previous financial years). The data regarding the segments from the 2022 comparison period has been adjusted to be comparable to the current segment structure.

	2023			2022		
TEUR	**Retail & Commerce**	**Utilities**	**Group**	**Retail & Commerce**	**Utilities**	**Group**
Revenue	43,958	13,697	57,655	53,826	14,601	68,426
EBITDA	11,580	-2,885	8,695	6,264	-710	5,555
EBITDA, %	26.3	-21.1	15.1	11.6	-4.9	8.1
Depreciations and impairments	-6,403	-5,834	-12,236	-8,106	-1,855	-9,960
Operating profit	5,177	-8,718	-3,541	-1,842	-2,564	-4,406
Operating profit, %	11.8	-63.7	-6.1	-3.4	-17.6	-6.4
Financial income and expenses			-1,174			-2,169
Result before taxes			-4,715			-6,574
Income taxes			-665			1,170
Result for the financial period			-5,380			-5,404

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	**2023**	**2022**
Finland	48,471	52,644
Other countries	9,184	15,783
Total	**57,655**	**68,426**

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 Microsoft BC-, HCL-, Adobe- 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 sales income from the Retail & Commerce segment's customer contracts are classified as services, recurring revenue from own software/Saas, and software and hardware sales. The services consist mainly of time and material based consulting, support and development services provided by the company, and projects. The sales income from these services is recognized over time depending on the progress of customer projects. Recurring revenue from software is reported for sales income related to the company’s own products. In addition, the Retail & Commerce segment generates sales income from software and hardware sales consisting mainly of license and maintenance fees for third party software.

The Utilities segment covers the business based on the company's own energy sector products. The revenue of the segment is mainly based on license and maintenance fees from own products and related services, like integration and implementation projects. The sales income from the Utilities segment's customer contracts is classified as services, recurring revenue from own software/Saas and non-recurring license and hardware sales. The services consist mainly of time- and material-based consulting, support and development services provided by the company, and projects. The services will benefit the customers as the service is provided.

Recurring revenue from own software / SaaS in both segments 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.

Revenue from Contracts with Customers

Retail & Commerce

TEUR	**2023**	**2022**
Services	35,440	44,095
Recurring revenue / SaaS	6,335	5,994
Software and hardware sales	2,182	3,737
Total	**43,958**	**53,826**

Utilities

TEUR	**2023**	**2022**
Services	8,686	9,325
Recurring revenue / SaaS	4,544	3,834
Non-recurring sales	468	1,442
Total	**13,697**	**14,601**
Group total	**57,655**	**68,426**

Contract balances

TEUR	2023	2022
Trade and other receivables	6,926	8,499
Contract assets	812	387
Contract liabilities	-461	-563

Contract assets

TEUR	2023	2022
Contract assets on Jan 1	**387**	**500**
Transfers from contract assets to receivables	-113	-433
Increases as a result of changes in the measure of progress	537	321
Contract assets on Dec 31	**812**	**387**

Contract liabilities

TEUR	2023	2022
Contract liabilities on Jan 1	**-564**	**-527**
Revenue recognized from contract liabilities	491	474
Increases due to cash received, excluding amounts recognized as revenue during the period	-389	-512
Contract liabilities on Dec 31	**-461**	**-564**

The Group expects to meet a significant part of outstanding performance obligations during the reporting period 2024.

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	2023	2022
Salaries and wages	33,570	37,273
Pension expenses - defined contribution plan	5,260	5,876
Other personnel expenses	1,106	1,411
Total	**39,936**	**44,560**
Average number of employees over the financial period	**572**	**676**

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	2023	2022
Government grants		3
Income resulting from the sales of assets and business operations	8,275	83
Other income	34	80
Total	**8,309**	**166**

Other expenses

TEUR	2023	2022
Telephone and telecommunication costs	513	711
Voluntary personnel expenses	952	870
Rental and other office related expenses	1,538	1,751
Hardware and software expenses	1,777	1,770
Car and travel expenses	686	673
External services	3,269	3,493
Bad debts	26	57
Warranty provisions	21	5
Other expenses	1,515	1,600
Total	**10,299**	**10,928**

Lease expenses

TEUR	2023	2022
Depreciation of right-of-use assets	1,887	2,288
Interest expense from lease contracts	145	212
Costs from short-term lease contracts	28	20
Costs from low-value asset lease contracts	836	847
Total	**2,896**	**3,367**

Auditor’s fees

TEUR	2023	2022
Auditing	200	148
Certificates and statements	8	7
Tax consulting	31	11
Other services	63	74
Total	**301**	**239**

The non-audit services charged by KPMG Oy Ab to Solteq Group companies in the financial year 2023 were EUR 72 thousand (85).

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 0 thousand (542) of research and development costs recognized as expense in 2023.

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	2023	2022
Interest income	80	15
Foreign currency exchange income	405	416
Other financial income*	1,011	69
Dividend income	1	3
Total	**1,497**	**504**

* For the financial year 2023, EUR 1,011 thousand in other financial income were related to the non-collection of Business Finland's loan.

Financial Expenses

TEUR	2023	2022
Interest expenses from financial expenses in amortized costs	1,750	1,612
Interest expense on lease liabilities	145	212
Foreign currency exchange expenses	624	537
Other financial expenses*	152	312
Total	**2,671**	**2,672**

*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	**2023**	**2022**
Tax based on the taxable income for the period	257	141
Taxes from previous periods	-120	-45
Deferred taxes	-25	-1,266
Other taxes	553	
Total	**665**	**-1,170**

TEUR	**2023**	**2022**
Result before taxes	-4,715	-6,574
Taxes based on domestic tax rate	-943	-1,315
Difference in local tax rates	-31	
Non-deductible expenses *	1,199	37
Exempt from taxes	0	-1
Unrecognized deferred tax assets for unrealized losses	201	105
Utilization of unused tax losses	-223	
Revaluation of deferred taxes	-11	-8
Other items	38	56
Taxes from previous periods and other taxes	436	-45
Taxes on the income statement	**665**	**-1,170**

* Consists mainly of goodwill attributable to the sale of business that is non-deductible in taxation

Deferred Tax Assets and Liabilities

Changes in Deferred Taxes:

TEUR	1 Jan 2022	Recognized on the income statement	Acquisition of subsidiaries and businesses	31 Dec 2022	Recognized on the income statement	31 Dec 2023
Deferred tax assets:						
Provisions	15	1		16	4	20
Postponed depreciations	38	9		47	-2	45
From the loss of the financial period		1,244		1,244	-156	1,088
Other items	94	-51	31	74	-4	70
Netted with deferred tax liabilities	-64			0		0
Total	**82**	**1,202**	**31**	**1,380**	**-158**	**1,222**
Deferred tax liabilities:						
Tax-deductible goodwill	78	94		172	94	266
Allocated intangible liabilities	378	-169	106	315	-131	184
Other items	218	54		272	-148	124
Netted with deferred tax assets	-64			0		0
Total	**610**	**-21**	**106**	**759**	**-184**	**575**

A deferred tax asset has been recognized in full on the parent company's loss for the financial years 2023 and 2022, as if the financial estimates prepared by the management and the going concern principle are met, it is likely that taxable income will be generated in the future against which previous tax losses 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 2023, the Group had EUR 2,339 thousand (3,286) 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.

	2023	2022
Profit for the financial period attributable to equity holders of the parent company (TEUR)	-5,380	-5,404
Weighted average of the number of shares during the financial period (1 000)	19,397	19,397
Undiluted EPS (EUR/share)	-0.28	-0.28

There were no diluting factors during the financial year 2023 nor the comparison period 2022.

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 12,236 thousand (9,960) and from the profit on the sale of the business transaction EUR -8,129 thousand (0).

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 2023	2,482	34	0	2,515
FX rate differences	4			4
Additions	0			0
Disposals	-28			-28
Acquisition cost 31 Dec 2023	**2,458**	**34**	**0**	**2,492**
Accumulated depreciation and impairment 1 Jan 2023	2,421	30	0	2,452
FX rate differences	4			4
Depreciation	36	1		38
Accumulated depreciation on disposals	-26			-26
Accumulated depreciation and impairment 31 Dec 2023	**2,436**	**31**	**0**	**2,468**
Book value 1 Jan 2023	60	4	0	64
Book value 31 Dec 2023	22	3	0	25
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	0	2,435
FX rate defferences	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	0	64

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 2023	10,185	6,625	16,810
FX rate differences	18	0	18
Additions *	478	188	666
Disposals	-136	-201	-337
Acquisition cost 31 Dec 2023	**10,545**	**6,611**	**17,157**
Accumulated depreciation and impairment 1 Jan 2023	7,373	6,128	13,500
Depreciation	1,647	240	1,887
Accumulated depreciation on disposals	0		-11
Accumulated depreciation and impairment 31 Dec 2023	**9,020**	**6,357**	**15,377**
Book value 1 Jan 2023	2,812	497	3,309
Book value 31 Dec 2023	1,525	255	1,780
Acquisition cost 1 Jan 2022	9,768	6,613	15,958
FX rate differences	-30		-14
Additions *	873	239	694
Disposals	-427	-227	-257
Acquisition cost 31 Dec 2022	**10,185**	**6,625**	**16,381**
Accumulated depreciation and impairment 1 Jan 2022	5,463	5,909	9,025
Depreciation	2,068	219	2,418
Accumulated depreciation on disposals	-158	0	-72
Accumulated depreciation and impairment 31 Dec 2022	**7,373**	**6,128**	**11,371**
Book value 1 Jan 2022	4,305	705	5,010
Book value 31 Dec 2022	2,812	497	3,309

*Including also changes to lease contracts.

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

TEUR	2023	2022
Within a year	602	782
More than one year	430	747
Total	**1,032**	**1,530**

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.*

As described under 1.3 Going concern principle, the financial statements for the financial year 2023 are prepared according to the going concern principle. The company's bond matures on October 1, 2024 and the company has initiated measures to arrange refinancing of the company. However, if the company fails to restructure the financing, it would jeopardize the continuity of the company's operations, which would also have an impact on the valuation of goodwill in the group and goodwill and merger losses in the parent company.

TEUR	Payments in advance and uncompleted actions	Goodwill	Development costs	Intangible rights	Other intangible assets	Total
Acquisition cost 1 Jan 2023	1,393	48,692	12,555	12,992	846	76,478
FX rate differences	-1	-8				-9
Additions	2,356			5		2,361
Disposals	-819	-5,930	-11,966	82		-18,633
Transfers between items	-2,929		2,929			0
Acquisition cost 31 Dec 2023	**0**	**42,754**	**3,517**	**13,079**	**846**	**60,197**
Accumulated amortization and impairment 1 Jan 2023		2,199	6,653	11,161	846	20,859
Amortization			1,885	888		2,773
Accumulated amortization on disposals			-5,228			-5,228
Accumulated amortization and impairment 31 Dec 2023		**2,199**	**3,311**	**12,049**	**846**	**18,405**
Book value 1 Jan 2023	1,393	46,493	5,901	1,831	0	55,619
Book value 31 Dec 2023	0	40,555	207	1,030	0	41,792
Acquisition cost 1 Jan 2022	4,687	44,524	9,634	12,473	846	72,164
Merger 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 amortizations 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

In the financial year 2023, a total of EUR 179 thousand (182) of government grants related to the acquisition of intangible assets were received.

Impairment testing

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 the 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 December 31, 2023 was EUR 40,555 thousand (46,493). At the end of the financial period, there were investments in progress in development projects of a value of EUR 0 thousand (1,393).

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 2024 and operating profit forecasts for the subsequent four years.

Based on testing performed in 2023, no need was found for recognizing impairment losses: a clear margin was left for each tested unit. The effect of the Microsoft BC and LS Retail business transaction in May 2023 on the goodwill at the time of sale was EUR -5,904 thousand. No impairment losses were recognized in 2023 related to the goodwill of the group. During the review period, the Company made a EUR 3,955 thousand write-off to the development costs in the Utilities business and EUR 3,520 thousand in the Retail & Commerce business.

Goodwill of Tested Units that Generate Cash Flow

TEUR	**2023**	**2022**
Retail & Commerce	30,497	36,435
Utilities	10,058	10,058
Total	**40,555**	**46,493**

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 12.25 percent after tax. The calculations generated a need for write-off for the financial year, based on which the Company made a EUR 3,955 thousand write-off to the development costs in the Utilities business and EUR 3,520 thousand in the Retail & Commerce business.

The key variables of impairment testing are presented in the table below.

Key variables of impairment testing

	Retail & Commerce	**Utilities**
Revenue growth % on average *	7.0 %	8.0 %
EBITDA margin on average *	10.8 %	9.6 %
Terminal period growth	2.0 %	2.0 %
WACC after tax	12.25 %	12.25 %
WACC pre tax	15.31 %	15.31 %

* In the five-year forecast period, on average

Sensitivity Analysis

A summary of unit-specific sensitivities is below:

- In Utilities segment, there will be need for write-downs, if the operating profit decreases by 3.3 percentage units or the discount rate increases by 3.4 percentage units.
- In Retail & Commerce segment, there will be need for write-downs, if the operating profit decreases by 1.6 percentage units or the discount rate increases by 1.8 percentage units.

3.4 Depreciation, Amortization, and Impairment

TEUR	2023	2022
Depreciations by asset group		
Intangible assets		
Development costs	1,885	1,863
Intangible rights	888	1,250
Total	**2,773**	**3,113**
Tangible assets		
Machinery and equipment	38	111
Right of use asset depreciation	1,887	2,288
Total	**1,924**	**2,399**
Impairments*	**7,539**	**4,449**
Total depreciations and impairments	**12,236**	**9,960**

* For the financial year 2023 mainly related to the write-offs of the Utilities and Retail & Commerce business' development costs and for the financial year 2022 mainly related to the write-offs of the Solteq Robotics business

4. OPERATIONAL ASSETS AND LIABILITIES

4.1 Trade and Other Receivables

TEUR	2023	2022
Trade receivables	6,926	8,499
Contract assets	812	387
Accrued income	2,032	2,188
Other receivables	251	262
Total	**10,021**	**11,337**

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	2023	Impairment losses	Net 2023	Probability of losses	Presumed losses	2022	Impairment losses	Net 2022	Probability of losses	Presumed losses
Not due	6,107		6,107			7,623		7,623		
Due	1,658	-26	1,631		53	1,321	-57	1,265		55
Under 30 days	1,413		1,413			991		991		
31-60 days	150		150			108		108		
61-90 days	65		65	75.8		72		72		
More than 90 days	30	-26	4	100.0	4	150	-57	93	59.0	55
Total	**7,765**	**-26**	**7,739**		**53**	**8,944**	**-57**	**8,888**		**55**

All current receivables are denominated in euros. There are no significant concentrations of risk related to receivables. Historically there have 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	2023	2022
Finished goods	60	133
Total	**60**	**133**

4.3 Trade and Other Payables

TEUR	2023	2022
Trade payables	3,351	3,916
Accruals and deferred income	6,629	8,613
Other liabilities	2,960	4,956
Total	**12,940**	**17,485**

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 2022	**78**	**78**
Additional provisions	21	21
31 Dec 2023	**99**	**99**

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, 2023.

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 1,000 thousand of the standby credit limit and EUR 698 thousand of the bank account credit limit was in use.

On October 1, 2020, Solteq issued a fixed rate senior 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. Solteq Plc repurchased a share of the above-mentioned bond with a nominal value of EUR 0.6 million in the financial year 2023.

The company has initiated measures to arrange refinancing during the financial year 2023. The arrangement consists of the renewal of the existing bond and of the standby and bank account credit limits. The financial negotiations and related measures have progressed as planned and the management believes that the negotiations will end with a positive outcome. Based on this, the management estimates that operations will continue and that the risk of insufficient funding is small.

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, which will mature on October 1, 2024, and of 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 standby and bank account credit 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 2023. 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	2023 Book value	2023 Fair value	2022 Book value	2022 Fair value
Financial liabilities at amortized cost				
Non-current				
Bond			22,839	22,839
Loans from financial institutions	247	247	1,340	1,340
Lease liabilities	405	405	1,694	1,694
Total	**652**	**652**	**25,873**	**25,873**
Current				
Bond	22,369	22,369		
Loans from financial institutions	1,780	1,780	5,928	5,928
Lease liabilities	1,556	1,556	1,673	1,673
Total	**25,705**	**25,705**	**7,601**	**7,601**

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 2022	Cash flows	Transfer from non-current to current	New financial lease contracts	*)Other changes	31 Dec 2023
Non-current liabilities	24,179		-22,988		-944	247
Current liabilities	5,928	-4,773	22,988		6	24,149
Lease liabilities	3,368	-1,891		668	-185	1,960
Total financing liabilities	**33,475**	**-6,663**	**0**	**668**	**-1,122**	**26,356**

*) 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 2023						
Bond	22,369	23,786	23,786			
Loans from financial institutions	329	335	85	84	83	82
Lease liabilities	1,960	2,031	1,618	373	33	7
Trade payables	3,351	3,351	3,351			
Financial liabilities total	**28,009**	**29,504**	**28,840**	**457**	**117**	**89**
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**

In 2023, the average interest rate of the loans was 6.0 percent (6.0). All financial liabilities are denominated in euros.

The financial statements for the financial year 2023 have been drawn up under the going concern principle. In assessing the going concern principle, the management of the company has considered the risks related to the refinancing of the company. The key elements of Solteq Group’s debt financing are a fixed-rate bond, as well as standby and bank account credit limits.

Solteq issued a fixed-rate unsecured senior bond with a nominal value of EUR 23.0 million on October 1, 2020. Of the EUR 23.0 million bond outstanding at the time of the financial statements bulletin, EUR 0.6 million was held by the company. The bond matures on October 1, 2024. The standby and bank account credit limits total EUR 7.0 million. The related financial covenants are linked to the terms of the bond.

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 reporting period. 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.

The company has initiated measures to arrange refinancing of the company. The arrangement consists of the renewal of the existing bond and of the standby and bank account credit limits.

In assessing the going concern, the management of the company has considered the effects of the measures taken during the financial year 2023 on the company's financial performance, financial forecasts and risks related to financial negotiations. Based on these factors, management estimates that operations will continue and that the risk of insufficient funding is small. The company believes that the planned financing arrangements will lead to a favorable outcome. However, if the company fails to restructure the financing, this would jeopardize the continuity of the company's operations.

These financial statements have therefore been drawn up under the going concern principle.

5.3 Other Investments

TEUR	2023	2022
Beginning of financial period	**437**	**438**
Change	0	**-1**
End of financial period	**437**	**437**

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	2023	2022
Cash and cash equivalents	1,853	2,057
Total	**1,853**	**2,057**

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 2023 nor 2022.

Dividends

At the end of financial year 2023, the distributable equity of the Group's parent company is 19,466,865.03 euros. Solteq Plc's Board of Directors proposes to the Annual General Meeting that for the financial year 2023, 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 2023.

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	**2023**	**2022**
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 December 31, 2023 are as follows:

Company	Domicile	Share of ownership (%)	Share of votes (%)
Solteq Oyj			
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 (merged January 1, 2023)	Denmark	100 %	100 %

Forsyning 360 Aps merged to Solteq Denmark A/S on January 1, 2023.

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	2023	2022
Salaries and other short-term employment benefits	1,426	1,127
Total	**1,426**	**1,127**

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	2023	2022
CEO Olli Väätäinen until Jan 31, 2022		58
Interim CEO Kari Lehtosalo during Feb 1 - Jun 30, 2022		114
CEO Aarne Aktan from Jul 1, 2022	350	175
Board members		
Markku Pietilä, Chairman of the Board	71	64
Aarne Aktan until Jun 30, 2022		20
Lotta Kopra until Mar 24, 2022		8
Panu Porkka	37	33
Katarina Cantell (formerly Segerståhl)	41	37
Anni Sarvaranta from Mar 24, 2022	38	26
Mika Sutinen from Mar 24, 2022	40	25
Esko Mertsalmi from Mar 29, 2023	26	

The CEO’s accrual-based pension costs amount to EUR 89 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 79 thousand shares at the end of 2023 (26).

6.3 Business Combinations

There were no acquisitions during the financial year 2023.

In the comparison period of 2022, two business acquisitions were made. 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 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. 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.

Sales of business based on Microsoft BC and LS Retail ERP solutions

On April 17, 2023, Solteq signed a business transfer agreement, whereby the Group's ERP business based on Microsoft Dynamics 365 Business Central and LS Retail solutions was sold to Azets Group.

The net debt-free purchase price of the business is a maximum of EUR 20,000 thousand. The fixed purchase price is EUR 15,000 thousand deducted by the net working capital of the business. EUR 12,000 thousand was paid upon the completion of the Transaction. The remainder of the fixed purchase price will be paid at the latest six (6) months after the completion of the Transaction. A possible additional purchase price is a maximum of EUR 5,000 thousand, and it shall be determined based on the revenue of the transferring business for a period of twelve (12) months from the first date of the month the Transaction has been completed. The purchase price is paid in cash. The company recognized a one-time profit of EUR 8,129 thousand (before tax effects) on the fixed purchase price in the second quarter. The net assets sold in the business transaction were EUR 5,247 thousand, consisting of the allocated goodwill of the business (EUR 5,904 thousand) and provisions for personnel costs related to transferred persons (EUR 657 thousand). In addition, the expenses related to the business transaction were approximately EUR 749 thousand.

The Transaction consists of expert and maintenance services as well as clientele related to Solteq's Microsoft Dynamics 365 Business Central and LS Retail ERP solutions. Following the transfer of the business, approximately 60 experts located in Finland, Sweden, Norway, and Denmark were transferred to Azets Group.

6.4 Events After the Balance Sheet Date

On January 25, 2024, Solteq announced the proposals of Solteq's Shareholders' Nomination Committee for the 2024 Annual General Meeting. Solteq Plc's Shareholders' Nomination Committee proposes to the Annual General Meeting, planned to be held on March 27, 2024, that seven (7) members are elected to the Board of Directors, the current Board members – Markku Pietilä, Katarina Cantell, Panu Porkka, Anni Sarvaranta, Mika Sutinen, and Esko Mertsalmi – are re-elected, and Lotta Airas is elected as a new member of the Board. The Board members' term will end at the close of the 2025 Annual General Meeting.

On February 2, 2024, Solteq announced changes in the Executive Team of Solteq Plc as of February 2, 2024. With the change, Kari Lehtosalo, the company's CFO and member of the Executive Team since 2019, will step down from his position by mutual agreement. The Board of Directors of Solteq Plc has appointed LL.M. Mikko Sairanen (b. 1985) as the company's new CFO. He will also continue in his role as the company's General Counsel.

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 Bulletin.

Parent Company's Statement of Comprehensive Income

TEUR	Notes	1 Jan 2023 - 31 Dec 2023	1 Jan 2022 - 31 Dec 2022
Revenue	1.1	**49,222**	**56,449**
Other income	1.3	10,780	897
Materials and services		-8,636	-8,623
Employee benefit expenses	1.2	-32,073	-35,613
Other expenses	1.3, 1.4	-8,347	-8,847
Depreciations and impairments	2.4	-9,823	-9,090
Operating result		**1,123**	**-4,827**
Financial income	1.5	1,169	52
Financial expenses	1.5	-5,082	-2,046
Result before taxes		-2,790	-6,821
Income taxes	1.6	-93	1,291
Result for the financial period		**-2,883**	**-5,529**
Total comprehensive income		**-2,883**	**-5,529**

Parent Company’s Statement of Financial Position

TEUR	Notes	31 Dec 2023	31 Dec 2022
Assets			
Non-current assets			
Tangible assets	2.1	17	45
Right-of-use assets	2.2	1,127	2,097
Intangible assets	2.3		
Goodwill		1,991	1,991
Other intangible assets		39,270	46,020
Other investments	4.3	453	453
Shares in subsidiaries	5.1	5,546	8,644
Deferred tax assets	1.6	1,152	1,306
Trade and other receivables	3.1	1,373	636
Non-current assets total		**50,928**	**61,192**
Current assets			
Inventories	3.2	60	133
Trade and other receivables	3.1	8,522	10,750
Cash and cash equivalents	4.4	438	869
Current assets total		**9,020**	**11,753**
Total assets		**59,947**	**72,945**
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		5,299	8,182
Total equity		**20,757**	**23,640**
Non-current liabilities			
Deferred tax liabilities	1.6	441	507
Financial liabilities	4.2	747	24,179
Lease liabilities	4.2	217	939
Non-current liabilities total		**1,405**	**25,624**
Current liabilities			
Financial liabilities	4.2	24,149	5,928
Trade and other payables	3.3	12,607	16,609
Provisions	3.4	99	78
Lease liabilities	4.2	929	1,065
Current liabilities total		**37,785**	**23,680**
Total liabilities		**39,190**	**49,304**
Total equity and liabilities		**59,947**	**72,945**

Parent Company's Cash Flow Statement

TEUR	Notes	1 Jan 2023 - 31 Dec 2023	1 Jan 2022 - 31 Dec 2022
Cash flow from operating activities			
Result for the financial period		-2,883	-5,529
Adjustments for operating profit	1.8	3,672	9,007
Changes in working capital		-2,001	1,228
Interests paid		-2,060	-1,749
Interests received		131	48
Net cash flow from operating activities		**-3,141**	**3,005**
Cash flow from investing activities			
Business acquisitions			-5,291
Divested businesses		9,959	
Investments in tangible and intangible assets		-1,725	-3,116
Net cash used in investing activities		**8,234**	**-8,407**
Cash flow from financing activities			
Long-term loans, increase		500	
Long-term loans, decrease	4.2	-548	
Short-term loans, increase	4.2	4,371	6,813
Short-term loans, decrease	4.2	-8,601	-1,008
Payment of lease liabilities	4.2	-1,246	-1,902
Net cash used in financing activities		**-5,523**	**3,903**
Changes in cash and cash equivalents		**-431**	**-1,500**
Cash and cash equivalents at the beginning of period		869	1,403
Cash and cash equivalents transferred in the merger			966
Cash and cash equivalents at the end of period	4.4	**438**	**869**

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

TEUR	2023	2022
Cash and cash equivalents	438	869
Total	**438**	**869**

Parent Company's Statement of Changes in Equity

TEUR	Share capital	Share premium account	Invested unrestricted equity reserve	Retained earnings	Total
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**
Equity 1 Jan 2023	**1,009**	**75**	**14,374**	**8,182**	**23,640**
Total comprehensive income				**-2,883**	**-2,883**
Equity 31 Dec 2023	**1,009**	**75**	**14,374**	**5,299**	**20,757**

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, 2023. 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	2023	2022
Services	37,321	43,698
Recurring revenue / SaaS	9,224	7,861
Software and hardware sales	2,677	4,889
Total	**49,222**	**56,449**

Contract Balances

TEUR	2023	2022
Trade and other receivables	5,597	8,279
Contract assets	812	387
Contract liabilities	-428	-556

Contract Assets

TEUR	2023	2022
Contract assets on Jan 1	**387**	**500**
Transfers from contract assets to receivables	-113	-433
Increases as a result of changes in the measure of progress	537	321
Contract assets on Dec 31	**812**	**387**

Contract Liabilities

TEUR	2023	2022
Contract liabilities on Jan 1	**-556**	**-517**
Revenue recognized from contract liabilities	485	465
Increases due to cash received, excluding amounts recognized as revenue during the period	-357	-504
Contract liabilities on Dec 31	**-428**	**-556**

The Company expects to meet a significant part of outstanding performance obligations during the reporting period 2024.

1.2 Employee Benefit Expenses

TEUR	2023	2022
Salaries and wages	26,685	29,566
Pension expenses - defined contribution plan	4,466	5,008
Other personnel expenses	922	1,039
Total	**32,073**	**35,613**
Average number of employees over the financial period	**428**	**508**

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

1.3 Other Income and Expenses

Other Income

TEUR	2023	2022
Government grants		1
Income resulting from the sales of assets and business operations	10,070	81
Other income	25	104
From Group companies, compensation for administration costs	685	711
Total	**10,780**	**897**

Other expenses

TEUR	2023	2022
Telephone and telecommunication costs	419	612
Voluntary personnel expenses	719	583
Rental and other office related expenses	1,279	1,427
Hardware and software expenses	1,610	1,630
Car and travel expenses	479	361
External services	2,819	3,026
Bad debts	26	55
Warranty provisions	21	5
Other expenses	975	1,149
Total	**8,347**	**8,847**

Lease Expenses

TEUR	2023	2022
Depreciation of right-of-use assets	1,320	1,725
Interest expense from lease contracts	83	126
Costs from short-term lease contracts		20
Costs from low-value asset lease contracts	770	802
Total	**2,172**	**2,672**

Auditor’s Fees

TEUR	2023	2022
Auditing	141	101
Certificates and statements	8	7
Tax consulting	9	11
Other services	63	74
Total	**221**	**193**

The non-audit services charged by KPMG Oy Ab from Solteq Plc in the financial year 2023 were EUR 72 thousand (85).

1.4 Research and Development Costs

The income statement includes a total of EUR 0 thousand (542) of research and development costs recognized as expense in 2023.

1.5 Financial Income and Expenses

Financial Income

TEUR	2023	2022
Interest income	130	45
Foreign currency exchange income	27	4
Other financial income *	1,011	
Dividend income	1	3
Total	**1,169**	**52**

* For the financial year 2023, EUR 1,011 thousand in other financial income were related to the non-collection of Business Finland's loan.

Financial Expenses

TEUR	2023	2022
Interest expenses from financial expenses in amortized costs	1,749	1,610
Interest expense on lease liabilities	83	126
Foreign currency exchange expenses	25	16
Other financial expenses	126	295
Impairments on investments	3,099	
Total	**5,082**	**2,046**

For the financial year 2023 the impairments on investments were related to revaluation of holdings in group companies. 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

TEUR	2023	2022
Tax based on the taxable income for the period	3	3
Taxes from previous periods	2	
Deferred taxes	88	-1,294
Total	**93**	**-1,291**

TEUR	2023	2022
Result before taxes	-2,790	-6,821
Taxes based on domestic tax rate	-558	-1,364
Non-deductible expenses	8	31
Exempt from taxes	0	-1
	620	
Revaluation of deferred taxes	-11	-8
Other items	37	50
Taxes from previous periods	-2	
Taxes on the income statement	**93**	**-1,291**

Deferred Tax Assets and Liabilities

Changes in deferred taxes:

TEUR	1 Jan 2022	Recognized on the income statement	Acquisition of subsidiaries and businesses	31 Dec 2022	Recognized on the income statement	31 Dec 2023
Deferred tax assets:						
Provisions	15	1		16	4	20
Postponed depreciations	38	9		47	-2	45
From the loss of the financial period		1,244		1,244	-156	1,088
Other items	12	-12				0
Netted with deferred tax liabilities	-64					0
Total	**0**	**1,242**	**0**	**1,306**	**-154**	**1,152**
Deferred tax liabilities:						
Tax-deductible goodwill	78	94		172	94	266
Allocated intangible liabilities	317	-153	106	270	-119	151
Other items	58	7		64	-41	24
Netted with deferred tax assets	-64					0
Total	**389**	**-53**	**106**	**507**	**-66**	**441**

For the financial year 2023 and 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

	2023	2022
Profit for the financial period attributable to equity holders of the parent company (TEUR)	-2,883	-5,529
Weighted average of the number of shares during the financial period (1 000)	19,397	19,397
Undiluted EPS (EUR/share)	-0.15	-0.29

There were no diluting factors during the financial year 2023 nor the comparison period 2022.

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 9,823 thousand (9,090) and from the profit on the sale of the business transaction EUR -9,944 thousand (0).

2. TANGIBLE AND INTANGIBLE ASSETS

2.1 Tangible Assets

TEUR	Machinery and equipment	Other tangible assets	Prepayments	Total
Acquisition cost 1 Jan 2023	2,379	1	0	2,380
Additions				0
Disposals				0
Acquisition cost 31 Dec 2023	**2,379**	**1**	**0**	**2,380**
Accumulated depreciation and impairment 1 Jan 2023	2,335		0	2,335
Depreciation	28			28
Accumulated depreciation on disposals				0
Accumulated depreciation and impairment 31 Dec 2023	**2,363**	**0**	**0**	**2,363**
Book value 1 Jan 2023	44	1	0	45
Book value 31 Dec 2023	16	1	0	17
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

2.2 Right-of-Use Assets

TEUR	Premises	Machinery and equipment	Right-of-Use assets total
Acquisition cost 1 Jan 2023	7,220	6,464	13,683
Additions *	385	188	573
Disposals	-47	-177	-224
Acquisition cost 31 Dec 2023	**7,558**	**6,475**	**14,033**
Accumulated depreciation and impairment 1 Jan 2023	5,592	5,995	11,587
Depreciation	1,089	230	1,320
Accumulated depreciation and impairment 31 Dec 2023	**6,681**	**6,226**	**12,906**
Book value 1 Jan 2023	1,628	469	2,097
Book value 31 Dec 2023	877	249	1,126
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

* Includes also 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	2023	2022
Within a year	550	737
More than one year	430	730
Total	**980**	**1,468**

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 2023	634	4,356	11,483	49,309	401	66,184
Additions	1,725					1,725
Disposals	-819		-9,827			-10,646
Transfers between items	-1,540		1,540			0
Acquisition cost 31 Dec 2023	**0**	**4,356**	**3,196**	**49,309**	**401**	**57,263**
Accumulated amortization and impairment 1 Jan 2023		2,365	5,998	9,409	401	18,172
Amortization			1,659	837		2,496
Accumulated amortization on disposals			-4,667			-4,667
Accumulated amortization and impairment 31 Dec 2023		**2,365**	**2,990**	**10,245**	**401**	**16,001**
Book value 1 Jan 2023	634	1,991	5,485	39,900	0	48,011
Book value 31 Dec 2023	0	1,991	206	39,064	0	41,262
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 amortizations 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

In the financial year 2023, a total of EUR 179 thousand (182) 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 the 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 December 31, 2023 was EUR 40,144 thousand (40,144). At the end of the financial period, in the Parent Company there were investments in progress in development projects of a value of EUR 0 thousand (634).

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 2024 and operating profit forecasts for the subsequent four years.

Based on testing performed in 2023, no need was found for recognizing impairment losses: a clear margin was left for each tested unit. No impairment losses were recognized in 2023 related to the goodwill of the group or to merger losses of the Parent Company. During the review period, Solteq Plc made a EUR 3,684 thousand write-off to the development costs in the Utilities business and EUR 2,295 thousand in the Retail & Commerce business.

Goodwill and Merger Losses of Tested Units that Generate Cash Flow

TEUR	2023	2022
Retail & Commerce	31,651	31,651
Utilities	8,494	8,494
Total	**40,144**	**40,144**

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 12.25 percent after tax. The calculations generated a need for write-off for the financial year, based on which Solteq Plc made a EUR 3,684 thousand write-off to the development costs in the Utilities business and EUR 2,295 thousand in the Retail & Commerce business.

The key variables of impairment testing are presented in the table below.

Key variables of impairment testing

	Retail & Commerce	Utilities
Revenue growth % on average *	6.7 %	5.9 %
EBITDA margin on average *	10.1 %	11.6 %
Terminal period growth	2.0 %	2.0 %
WACC after tax	12.25 %	12.25 %
WACC pre tax	15.31 %	15.31 %

* In the five-year forecast period, on average

Sensitivity Analysis

A summary of unit-specific sensitivities is below:

- In Utilities segment, there will be need for write-downs, if the operating profit decreases by 4.4 percentage units or the discount rate increases by 4.3 percentage units.
- In Retail & Commerce segment, there will be need for write-downs, if the operating profit decreases by 0.2 percentage units or the discount rate increases by 0.2 percentage units.

2.4 Depreciation, Amortization, and Impairment

TEUR	2023	2022
Depreciations by asset group		
Intangible assets		
Development costs	1,659	1,695
Intangible rights	837	1,128
Total	**2,496**	**2,823**
Tangible assets		
Machinery and equipment	28	94
Right of use asset depreciation	1,320	1,725
Total	**1,348**	**1,819**
Impairments*	**5,979**	**4,449**
Total depreciations and impairments	**9,823**	**9,090**

* For the financial year 2023 mainly related to the write-offs of the Utilities and Retail & Commerce business' development costs and for the financial year 2022 mainly related to the write-offs of the Solteq Robotics business

3. OPERATIONAL ASSETS AND LIABILITIES

3.1 Trade and Other Receivables

TEUR	2023	2022
Trade receivables	5,446	6,189
Contract assets	812	387
Accrued income	1,858	2,099
Receivables from group companies	1,765	2,695
Other receivables	14	17
Total	**9,894**	**11,386**

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	2023	Impairment losses	Net 2023	Probability of losses	Presumed losses	2022	Impairment losses	Net 2022	Probability of losses	Presumed losses
Not due	5,303		5,303			6,448		6,448		
Due	1,132	-26	1,106		53	2,274	-55	2,218		53
Under 30 days	875		875			698		698		
31-60 days	149		149			361		361		
61-90 days	64		64	54.7	35	316		316		
More than 90 days	43	-26	18	100.0	18	899	-55	844	6.3	53
Total	**6,435**	**-26**	**6,409**		**53**	**8,721**	**-55**	**8,666**		**53**

All current receivables are denominated in euros. There are no significant concentrations of risk related to receivables. Historically there have 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	2023	2022
Finished goods	60	133
Total	**60**	**133**

3.3 Trade and Other Payables

TEUR	2023	2022
Trade payables	2,911	3,416
Accruals and deferred income	5,762	7,835
Other liabilities	2,350	4,371
Liabilities to Group companies	1,585	987
Total	**12,607**	**16,609**

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 2022	**78**	**78**
Additional provisions	21	21
31 Dec 2023	**99**	**99**

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	2023 Book value	2023 Fair value	2022 Book value	2022 Fair value
Financial liabilities at amortized cost				
Non-current				
Bond			22,839	22,839
Loans from financial institutions	247	247	1,340	1,340
Loans from Group companies	500	500		
Lease liabilities	217	217	939	939
Total	**964**	**964**	**25,118**	**25,118**
Current				
Bond	22,369	22,369		
Loans from financial institutions	1,780	1,780	5,928	5,928
Lease liabilities	929	929	1,065	1,065
Total	**25,079**	**25,079**	**6,993**	**6,993**

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 2022	Cash flows	Transfer from non-current to current	New financial lease contracts	*)Other changes	31 Dec 2023
Non-current liabilities	24,179	500	-22,988		-944	747
Current liabilities	5,928	-4,773	22,988		6	24,149
Lease liabilities	2,004	-1,246		573	-185	1,146
Total financing liabilities	**32,111**	**-5,519**	**0**	**573**	**-1,122**	**26,043**

*) 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 2023						
Bond	22,369	23,786	23,786			
Loans from financial institutions	329	335	85	84	83	82
Lease liabilities	1,146	1,188	963	184	33	7
Trade payables	4,495	4,495	4,495			
Financial liabilities total	**28,340**	**29,804**	**29,330**	**268**	**117**	**89**
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**

In 2023, the average interest rate of the loans was 6.0 percent (6.0). All financial liabilities are denominated in euros.

The financial statements for the financial year 2023 have been drawn up under the going concern principle. In assessing the going concern principle, the management of the company has considered the risks related to the refinancing of the company. The key elements of Solteq Group’s debt financing are a fixed-rate bond, as well as standby and bank account credit limits.

Solteq issued a fixed-rate unsecured senior bond with a nominal value of EUR 23.0 million on October 1, 2020. Of the EUR 23.0 million bond outstanding at the time of the financial statements bulletin, EUR 0.6 million was held by the company. The bond matures on October 1, 2024. The standby and bank account credit limits total EUR 7.0 million. The related financial covenants are linked to the terms of the bond.

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 reporting period. 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.

The company has initiated measures to arrange refinancing of the company. The arrangement consists of the renewal of the existing bond and of the standby and bank account credit limits.

In assessing the going concern, the management of the company has considered the effects of the measures taken during the financial year 2023 on the company’s financial performance, financial forecasts and risks related to financial negotiations. Based on these factors, management estimates that operations will continue and that the risk of insufficient funding is small. The company believes that the planned financing arrangements will lead to a favorable outcome. However, if the company fails to restructure the financing, this would jeopardize the continuity of the company's operations.

These financial statements have therefore been drawn up under the going concern principle.

4.3 Other Investments

TEUR	2023	2022
Beginning of financial period	**453**	**453**
Change	0	**0**
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	2023	2022
Cash and cash equivalents	438	869
Total	**438**	**869**

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	2023	2022
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, 2023, 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	2023	2022
Salaries and other short-term employment benefits	1,426	1,127
Total	**1,426**	**1,127**

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	2023	2022
CEO Olli Väätäinen until Jan 31, 2022		58
Interim CEO Kari Lehtosalo during Feb 1 - Jun 30, 2022		114
CEO Aarne Aktan from Jul 1, 2022	350	175
Board members		
Markku Pietilä, Chairman of the Board	71	64
Aarne Aktan until Jun 30, 2022		20
Lotta Kopra until Mar 24, 2022		8
Panu Porkka	37	33
Katarina Cantell (formerly Segerståhl)	41	37
Anni Sarvaranta from Mar 24, 2022	38	26
Mika Sutinen from Mar 24, 2022	40	25
Esko Mertsalmi from Mar 29, 2023	26	

The CEO's accrual-based pension costs amount to EUR 89 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 79 thousand (26) shares at the end of 2022.

5.2 Business Combinations

There were no acquisitions during the financial year 2023.

In the comparison period of 2022, two business acquisitions were made. 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.

Sales of business based on Microsoft BC and LS Retail ERP solutions

On April 17, 2023, Solteq signed a business transfer agreement, whereby the Group's ERP business based on Microsoft Dynamics 365 Business Central and LS Retail solutions was sold to Azets Group.

The net debt-free purchase price of the business is a maximum of EUR 20,000 thousand. The fixed purchase price is EUR 15,000 thousand deducted by the net working capital of the business. EUR 12,000 thousand was paid upon the completion of the Transaction. The remainder of the fixed purchase price will be paid at the latest six (6) months after the completion of the Transaction. A possible additional purchase price is a maximum of EUR 5,000 thousand, and it shall be determined based on the revenue of the transferring business for a period of twelve (12) months from the first date of the month the Transaction has been completed. The purchase price is paid in cash. The company recognized a one-time profit of EUR 9,944 thousand (before tax effects) on the fixed purchase price in the second quarter. The net assets sold in the business transaction were EUR 617 thousand, consisting of the provisions for personnel costs related to transferred persons (EUR 617 thousand). In addition, the expenses related to the business transaction were approximately EUR 632 thousand.

The Transaction consists of expert and maintenance services as well as clientele related to Solteq's Microsoft Dynamics 365 Business Central and LS Retail ERP solutions. Following the transfer of the business, approximately 60 experts located in Finland, Sweden, Norway, and Denmark were transferred to Azets Group.

5.3 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 6.4.

Proposal for Distribution of Profits

The distributable equity of the Parent Company Solteq Plc as at December 31, 2023 is:

The distributable equity

	31 Dec 2023	31 Dec 2022
Invested unrestricted equity reserve	14,374,181.33	14,374,181.33
Result for previous financial periods	8,181,965.39	13,711,364.54
Result for the financial year	-2,882,912.52	-5,529,399.15
Total non-restricted equity	**19,673,234.20**	**22,556,146.72**
Capitalized development costs	-206,369.17	-6,119,607.80
Total distributable funds	**19,466,865.03**	**16,436,538.92**

At the end of financial year 2023, the distributable equity of the Group's parent company is 19,466,865.03 euros. Solteq Plc's Board of Directors proposes to the Annual General Meeting that for the financial year 2023, 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 2023.

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 23, 2024

Markku Pietilä
Chairman of the Board

Mika Sutinen
Board Member

Anni Sarvaranta
Board Member

Panu Porkka
Board Member

Katarina Cantell
Board Member

Esko Mertsalmi
Board Member

Aarne Aktan
CEO

Auditor's note

Our auditors' report has been issued today.

Helsinki, February 23, 2024

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 2023. 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 material accounting policy information.

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 IFRS Accounting Standards 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.

Material uncertainty related to going concern

We draw attention to the section 1.3 Going Concern principle in the Notes to Consolidated Financial statements. As it has been described in the Notes to Consolidated Financial statements, Solteq has a fixed-rate bond with a nominal value of EUR 23.0 million which matures on October 1, 2024 and the company has initiated measures to arrange refinancing of the company. The arrangement consists of the renewal of the existing bond and of the standby and bank account credit limits. In assessing the going concern, the management of the company has considered the effects of the measures taken during the financial year 2023 on the company's financial performance, financial forecasts and risks related to financial negotiations. Based on these factors, management estimates that operations will continue and that the risk of insufficient funding is small. The company believes that the planned financing arrangements will lead to a favorable outcome. However, if the company fails to restructure the financing, this would jeopardize the continuity of the company's operations.

The abovementioned circumstances indicate that a material uncertainty exists that may cast significant doubt on the Solteq Plc's ability to continue as a going concern. In addition, we draw attention to the note 3.3 to the consolidated financial statements which describes that if the company fails to restructure the financing, it would also have an impact on the valuation of goodwill in the group and goodwill and merger losses in the parent company.

Our opinion is not modified in respect of this matter.

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.

In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

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.	— 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.

- 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 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 IFRS Accounting Standards 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, 23 February 2024

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PETRI SAMMALISTO
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