SOLTEQ

Financial Statements Bulletin

JANUARY 1 – DECEMBER 31, 2023

Solteq Plc Financial Statements Bulletin January 1 – December 31, 2023

The actions taken to enhance operational efficiency turned the company's profitability in a more positive direction

October–December

- Comparable revenue totaled EUR 14.2 million (14.2) and remained on the same level as comparison period. Revenue totaled EUR 14.3 million (16.9) and decreased by 15.6 percent
- Comparable EBITDA was EUR -0.3 million (0.3) and EBITDA EUR -0.8 million (0.3). Comparable EBITDA percent was -2.0 (2.4)
- Comparable operating result was EUR -1.0 million (-1.0) and operating result EUR -9.1 million (-1.2) including a write-off of product development activations of EUR 7.5 million. Comparable operating result percent was -7.1 (-6.9)
- Earnings per share was EUR -0.43 (-0.09)

January–December

- Comparable revenue totaled EUR 54.2 million (57.2) and decreased by 5.3 percent. Revenue totaled EUR 57.7 million (68.4) and decreased by 15.8 percent
- Comparable EBITDA was EUR 0.7 million (4.5) and EBITDA EUR 8.7 million (5.6). Comparable EBITDA percent was 1.3 (7.8)
- Comparable operating result was EUR -3.9 million (-0.6) and operating result EUR -3.5 million (-4.4). Comparable operating result percent was -7.2 (-1.1)
- The ERP business based on Microsoft BC and LS Retail was transferred to Azets Group as of May 2, 2023. The profit on the sale of the business transaction improved the group's EBITDA and operating result by EUR 8.1 million
- Earnings per share was EUR -0.28 (-0.28)
- Solteq Group’s equity ratio was 30.1 percent (30.3)
- Net cash flow from operating activities was EUR -5.3 million (3.9)
- 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

	10-12/2023	10-12/2022	Change %	1-12/2023	1-12/2022	Change %
Revenue, TEUR	14,265	16,900	-15.6	57,655	68,426	-15.7
Comparable revenue, TEUR	14,244	14,240	0.0	54,183	57,230	-5.3
EBITDA, TEUR	-822	262	-414.1	8,695	5,555	56.5
Comparable EBITDA, TEUR	-282	338	-183.6	694	4,469	-84.5
Operating result, TEUR	-9,090	-1,199	-658.3	-3,541	-4,406	19.6
Comparable operating result, TEUR	-1,012	-986	-2.6	-3,881	-613	-533.2
Result for the financial period, TEUR	-8,281	-1,664	-397.8	-5,380	-5,404	0.4
Earnings per share, EUR	-0.43	-0.09	-397.8	-0.28	-0.28	0.4
Operating result, %	-63.7	-7.1		-6.1	-6.4	
Comparable operating result, %	-7.1	-6.9		-7.2	-1.1	
Equity ratio, %				30.1	30.3	

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.

CEO Aarne Aktan:

We decided on two very significant company matters in the last quarter. Due to the changed circumstances, the treatment of product development costs was updated and aligned with the new operational logic. We ceased product development cost activations during the quarter and fully wrote off the activated product development costs of EUR 7.5 million from the balance sheet. Additionally, we concluded the change negotiations for the Utilities segment, resulting in an annual cost reduction of approximately EUR 3.8 million. Both implemented matters positively affect the company's business, but particularly the change in product development cost treatment practices complicates the comparison of the quarter to the corresponding quarter of the previous financial year.

The comparable revenue of Solteq Plc was EUR 14.2 million, remaining at the comparison period’s level. The comparable revenue decreased by 1.4 percent in Retail & Commerce and increased by 4.3 percent in Utilities.

During 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. This change affects the comparability of EBITDA and operating result of the fourth quarter to the corresponding quarter in 2022.

During the review period, the Group’s comparable EBITDA was EUR -0.3 million, and product development activations amounted to EUR 0.1 million. In the fourth quarter of 2022, the comparable

EBITDA was EUR 0.3 million, and product development activations amounted to EUR 0.9 million. Excluding the impact of activations, the Group's comparable EBITDA was EUR 0.2 million better than in the comparison period.

The Group's comparable operating result was EUR -1.0 million in the review period. Still, EUR 0.1 million in depreciations related to product development activations were conducted. In the fourth quarter of 2022, the comparable operating result was EUR -1.0 million, and depreciations related to product development activations accounted for EUR 0.5 million. Excluding the impact of activations and depreciations, the company's comparable operating result was EUR 0.4 million better than in the comparison period.

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.

During the review period, the revenue and business result of the Utilities segment developed positively. This was due to the completed change negotiations, the restructuring of operations, and the development of the product business. The change negotiations, initiated to improve profitability and operational efficiency, were completed on October 10, 2023. 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 anticipated to be fully realized during the fiscal year 2024, although optimizing cost structure during the review period has enhanced the segment's profitability already. The change negotiations resulted in a one-time cost of approximately EUR 300 thousand, which is included in the segment's personnel costs. The Utilities segment's long-term market outlook is expected to remain good, providing opportunities for profitable growth.

The performance of the Retail & Commerce segment was hindered by the continued volatility of the global economy and its impact on demand. Customer organizations were cautious regarding investments, which led to delays in decision-making and scale-downs of scopes in project deliveries. The long-term market outlook for the Retail & Commerce segment is expected to remain moderate, with demand anticipated to recover as the markets stabilize.

Nordic IT market outlook within the key industries for Solteq

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

The demand for software solutions and expert services in the Nordic energy sector is accelerated by changes in the industry's regulation, the transition to renewable energy sources, and the potential for more streamlined business operations created by the developing technology. The business of the Utilities segment consists of software solutions and expert services, which comprehensively take into account the regulatory changes in the Nordics and EU. Among these are nationally driven datahub projects for centralized information exchange and the unification of operating models regarding measurement practices and the opening of electricity markets. The company estimates that the segment’s industry-specific expertise and offering create a clear competitive advantage in the Nordic energy market.

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

Revenue and profit

October–December

Revenue for the fourth quarter decreased by 15.6 percent compared to the previous year and totaled EUR 14,265 thousand (16,900). Operating result for the review period was EUR -9,090 thousand (-1,199). Comparable operating result was EUR -1,012 thousand (-986). Result before taxes was EUR -9,685 thousand (-2,042) and the result for the financial period was EUR -8,281 thousand (-1,664).

January–December

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

October–December

In the fourth quarter, the comparable revenue of the segment was EUR 10,441 thousand (10,594), down by 1.4 percent from the comparison period. Comparable EBITDA for October–December was EUR 252 thousand (845), and the comparable operating result was EUR -217 thousand (52).

During the review period, one-time personnel expense activations amounted to EUR 96 thousand (333), and depreciations related to product development activations amounted to EUR 108 thousand (284). Excluding the impact of activations, the comparable EBITDA of the segment was EUR 357 thousand less than in the comparison period. The comparable operating result of the segment, excluding the impact of activations and depreciations, was EUR 209 thousand less than in the comparison period.

The segment provides software solutions and expert services for the retail industry and e-commerce. Of the segment's revenue, 66.4 percent came from e-commerce solutions and expert services, 1.0 percent from ERP systems, and 32.6 percent from solutions and expert services related to the retail industry.

January–December

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.

Retail & Commerce	10-12/2023	10-12/2022	Change %	1-12/2023	1-12/2022	Change %
Revenue, TEUR	10,462	13,255	-21.1	43,958	53,826	-18.3
Comparable revenue, TEUR	10,441	10,594	-1.4	40,486	42,629	-5.0
Comparable EBITDA, TEUR	252	845	-70.2	3,363	4,931	-31.8
Comparable EBITDA, %	2.4	8.0		8.3	11.6	
EBITDA, TEUR	-176	802	-121.9	11,580	6,264	84.9
EBITDA, %	-1.7	6.1		26.3	11.6	
Comparable operating result, TEUR	-217	52	-515.6	666	1,695	-60.7
Comparable operating result, %	-2.1	0.5		1.6	4.0	
Operating result, TEUR	-4,228	-118	-3,474.1	5,177	-1,842	381.1
Operating result, %	-40.4	-0.9		11.8	-3.4	

Utilities

October–December

In the fourth quarter, the segment's revenue was EUR 3,803 thousand (3,646), up 4.3 percent from the comparison period. Comparable EBITDA for October–December was EUR -534 thousand (-507), and the comparable operating result was EUR -795 thousand (-1,038).

During the review period, no activations of product development expenses were carried out. In the comparison period, product development expense activations amounted to EUR 580 thousand. Depreciations related to product development activations amounted to EUR 21 thousand during the review period (255). Excluding the impact of activations, the comparable EBITDA of the segment was EUR 553 thousand better than in the comparison period. The comparable operating result of the segment, excluding the impact of activations and depreciations, was EUR 589 thousand better than in the comparative period.

Utilities offers software solutions and expert services for the energy sector. Software solutions accounted for 83.8 percent, and expert services for 16.2 percent of the segment's revenue.

January–December

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).

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.

Utilities	**10-12/2023**	**10-12/2022**	**Change %**	**1-12/2023**	**1-12/2022**	**Change %**
Revenue, TEUR	3,803	3,646	4.3	13,697	14,601	-6.2
Comparable EBITDA, TEUR	-534	-507	-5.2	-2,669	-462	-477.5
Comparable EBITDA, %	-14.0	-13.9		-19.5	-3.2	
EBITDA, TEUR	-646	-541	-19.5	-2,885	-710	-306.5
EBITDA, %	-17.0	-14.8		-21.1	-4.9	
Comparable operating result, TEUR	-795	-1,038	23.4	-4,547	-2,308	-97.0
Comparable operating result, %	-20.9	-28.5		-33.2	-15.8	
Operating result, TEUR	-4,863	-1,080	-350.1	-8,718	-2,564	-240.0
Operating result, %	-127.9	-29.6		-63.7	-17.6	

Balance sheet and financing

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.

The maturity distribution of financial liabilities is presented in the tables section of this Financial Statements Bulletin.

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).

Key figures for Group's personnel

	10-12/2023	10-12/2022	1-12/2023	1-12/2022
Average number of personnel during period			572	676
Employee benefit expenses, TEUR	8,555	9,991	33,570	37,273

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 the tables at the end of this Financial Statements Bulletin.

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.

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 review 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.

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.

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.

The 2023 financial statements have therefore been drawn up under the going concern principle.

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.

Financial reporting

This Financial Statements Bulletin has been prepared in accordance with the recognition and valuation principles of IFRS standards and using IAS 34 and the same accounting policies as the Financial Statements 2022. The new IFRS standards, taken into use on January 1, 2023, do not have a significant impact on the Group’s Financial Statements Bulletin. The Financial Statements Bulletin is based on the unaudited Financial Statements of 2023.

Changes in segment reporting

On November 25, 2022, Solteq Plc announced a segment change to better correspond to the Company’s updated business strategy. With the updated strategy, software solutions and expert services can be offered in a more focused manner for the energy sector, retail industry, and needs related to e-commerce.

Starting from the financial year 2023, the Group's reportable business segments are Utilities and Retail & Commerce. The Utilities segment offers software solutions and expert services for the energy sector, and the Retail & Commerce segment for retail and e-commerce.

In the previous reporting structure, the Group’s reported business segments were the software business, Solteq Software, and the expert service business, Solteq Digital.

Comparable data for the financial year 2022 were released in a separate bulletin on March 22, 2023.

Revenue from contracts with customers

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.

Financial information

This Financial Statements Bulletin has been prepared in accordance with the recognition and valuation principles of IFRS standards and using IAS 34 and the same accounting policies as the Financial Statements 2022. The new IFRS standards, taken into use on January 1, 2023, do not have a significant impact on the Group's Financial Statements Bulletin. The Financial Statements Bulletin is based on the unaudited Financial Statements of 2023.

Consolidated statement of comprehensive income

TEUR	**10-12/2023**	**10-12/2022**	**1-12/2023**	**1-12/2022**
Revenue	**14,265**	**16,900**	**57,655**	**68,426**
Other income	-161	54	8,309	166
Materials and services	-1,922	-1,960	-7,033	-7,550
Employee benefit expenses	-10,191	-11,966	-39,936	-44,560
Other expenses	-2,812	-2,767	-10,299	-10,928
Depreciations and impairments	-8,269	-1,460	-12,236	-9,960
Operating result	**-9,090**	**-1,199**	**-3,541**	**-4,406**
Financial income and expenses	-595	-844	-1,174	-2,169
Result before taxes	**-9,685**	**-2,042**	**-4,715**	**-6,574**
Income taxes	1,403	379	-665	1,170
Result for the financial period	**-8,281**	**-1,664**	**-5,380**	**-5,404**
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Currency translation differences	151	39	60	-61
Other comprehensive income, net of tax	**151**	**39**	**60**	**-61**
Total comprehensive income	**-8,130**	**-1,625**	**-5,320**	**-5,465**
Total profit for the period attributable to owners of the parent	-8,281	-1,664	-5,380	-5,404
Total comprehensive income attributable to owners of the parent	-8,130	-1,625	-5,320	-5,465
Earnings per share, EUR (undiluted)	-0.43	-0.09	-0.28	-0.28
Earnings per share, EUR (diluted)	-0.43	-0.09	-0.28	-0.28

Consolidated statement of financial position

TEUR	31 Dec 2023	31 Dec 2022
Assets		
Non-current assets		
Tangible assets	25	64
Right-of-use assets	1,781	3,309
Intangible assets		
Goodwill	40,555	46,493
Other intangible assets	1,236	9,125
Other investments	437	437
Deferred tax assets	1,222	1,380
Other long-term receivables	260	269
Non-current assets total	**45,515**	**61,078**
Current assets		
Inventories	60	133
Trade and other receivables	9,762	11,068
Cash and cash equivalents	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	1,009	1,009
Share premium reserve	75	75
Distributable equity reserve	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	575	759
Financial liabilities	246	24,179
Lease liabilities	405	1,694
Non-current liabilities total	**1,226**	**26,632**
Current liabilities		
Financial liabilities	24,149	5,928
Trade and other payables	12,940	17,485
Provisions	99	78
Lease liabilities	1,556	1,673
Current liabilities total	**38,745**	**25,164**
Total equity and liabilities	**57,189**	**74,336**

Consolidated cash flow statement

TEUR	1-12/2023	1-12/2022
Cash flow from operating activities		
Result for the financial period	-5,380	-5,404
Adjustments for operating result	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	-548	-8
Short-term loans, increase	4,371	6,813
Short-term loans, decrease	-8,601	-1,194
Payment of finance lease liabilities	-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	**1,853**	**2,057**

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**

Quarterly key indicators

TEUR	1-3/2023	4-6/2023	7-9/2023	10-12/2023
Revenue	16,899	14,273	12,217	14,265
Comparable revenue	14,113	13,609	12,217	14,244
EBITDA	1,281	7,698	538	-822
Comparable EBITDA	947	-536	565	-282
Operating profit	-91	6,337	-697	-9,090
Comparable operating profit	-331	-1,869	-670	-1,012
Result before taxes	351	5,773	-1,154	-9,685

TEUR	1-3/2022	4-6/2022	7-9/2022	10-12/2022
Revenue	19,239	17,937	14,351	16,900
Comparable revenue	16,174	14,824	11,992	14,240
EBITDA	2,720	1,776	797	262
Comparable EBITDA	2,271	1,298	563	338
Operating profit	1,384	414	-5,005	-1,199
Comparable operating profit	1,047	43	-716	-986
Result before taxes	1,021	-99	-5,455	-2,042

Revenue from contracts with customers

Retail & Commerce

TEUR	10-12/2023	10-12/2022	1-12/2023	1-12/2022
Services	8,382	10,938	35,440	44,095
Recurring revenue / SaaS	1,643	1,610	6,335	5,994
Software and hardware sales	437	706	2,182	3,737
Total	**10,462**	**13,255**	**43,958**	**53,826**

Utilities

TEUR	10-12/2023	10-12/2022	1-12/2023	1-12/2022
Services	2,541	2,232	8,686	9,325
Recurring revenue / SaaS	1,189	988	4,544	3,834
Non-recurring sales	73	426	468	1,442
Total	**3,803**	**3,646**	**13,697**	**14,601**
Group total	**14,265**	**16,900**	**57,655**	**68,426**

Total investments

TEUR	10-12/2023	10-12/2022	1-12/2023	1-12/2022
Group total	439	745	2,868	9,217

Maturity of financial liabilities

TEUR	Book value	Contractual cash flows	1-12 months	13-24 months	25-36 months	Later
Financial liabilities, 31 Dec 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 assets, 31 Dec 2023						
Trade receivables	6,926					
Cash and cash equivalents	1,853					
Financial assets total	**8,779**					

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.

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.

Fair value of financial assets and liabilities

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

Liabilities

TEUR	31 Dec 2023	31 Dec 2022
Business mortgages	10,000	10,000
Off-balance sheet lease liabilities	1,032	1,530

Related party transactions

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

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 share 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 on 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**

Financial performance indicators

	10-12/2023	10-12/2022	1-12/2023	1-12/2022
Revenue, MEUR	14.3	16.9	57.7	68.4
Change in revenue, %	-15.6	-7.5	-15.7	-0.9
Operating result, MEUR	-9.1	-1.2	-3.5	-4.4
% of revenue	-63.7	-7.1	-6.1	-6.4
Result before taxes, MEUR	-9.7	-2.0	-4.7	-6.6
% of revenue	-67.9	-12.1	-8.2	-9.6
Net investments in non-current assets, MEUR	0.4	0.7	2.9	9.2
Equity ratio, %			30.1	30.3
Net debt, MEUR			24.5	31.4
Gearing, %			142.3	139.4
Return on equity, rolling 12 months, %			-27.1	-21.4
Return on investment, rolling 12 months, %			-4.1	-6.9
Personnel at end of period			498	662
Personnel average for period			572	676

Key indicators per share

	10-12/2023	10-12/2022	1-12/2023	1-12/2022
Earnings per share, EUR (undiluted)	-0.43	-0.09	-0.28	-0.28
Earnings per share, EUR (diluted)	-0.43	-0.09	-0.28	-0.28
Equity per share, EUR			0.89	1.16

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

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

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

Items affecting comparability and alternative performance measures

Items affecting comparability:

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

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

Comparable revenue

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

TEUR	10-12/2023	10-12/2022	1-12/2023	1-12/2022
Revenue	**14,265**	**16,900**	**57,655**	**68,426**
Items affecting comparability				
BC / LS Retail business transfer agreement	-21	-2,660	-3,472	-11,196
Total items affecting comparability	**-21**	**-2,660**	**-3,472**	**-11,196**
Comparable revenue	**14,244**	**14,240**	**54,183**	**57,230**

Comparable operating result (EBIT)

The reconciliation of the comparable operating result to operating result is presented in the table below. The same adjusting items apply when reconciling the comparable EBITDA to EBITDA, except for the Impairments.

Operating result (EBIT)	**-9,090**	**-1,199**	**-3,541**	**-4,406**
Items affecting comparability				
BC / LS Retail business transfer agreement	241	-210	-8,410	-1,501
Acquisition costs				124
Cost of integrating the acquired business				24
Non-recurring severance packages	298	128	509	164
Impairment	7,539	30	7,539	4,448
Fines and similar indemnities and damages		-7		29
Costs incurred by the re-organization of operations		272	22	506
Total items affecting comparability	**8,079**	**213**	**-340**	**3,793**
Comparable operating result (EBIT)	**-1,012**	**-986**	**-3,881**	**-613**

Calculation of the key figures

Equity ratio, %:

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

Gearing, %:

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

Return on Equity (ROE), %:

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

Return on investment (ROI), %:

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

Earnings per share:

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

Diluted earnings per share:

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

Equity per share:

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

EBITDA:

Operating result + Depreciations and impairments

Net debt:

Interest bearing liabilities - Cash and cash equivalents

Share of recurring revenue of the total revenue of Utilities segment:

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

Business Combinations and divestments

There were no business combinations during the reporting period 2023.

Business Combinations in the Financial Year 2022

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 expanded 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 increased 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 EUR 115 thousand.

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 end of the reporting period. Enerity Solutions Oy is consolidated to Solteq Group as of the beginning of the reporting period. The company 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. 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 million. The fixed purchase price is EUR 15 million deducted by the net working capital of the business. EUR 12 million 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 million, 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 8.1 million (before tax effects) on the fixed purchase price in the second quarter. The net assets sold in the business transaction were EUR 5.2 million, consisting of the allocated goodwill of the business (EUR 5.9 million) and provisions for personnel costs related to transferred persons (EUR 0.7 million). In addition, the expenses related to the business transaction were approximately EUR 0.7 million.

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.

Financial reporting

Solteq Plc's audited Annual Report for 2023, including The Report of the Board of Directors and Financial Statements, will be published on Solteq's website by March 5, 2024.

Solteq Plc's financial information bulletins in 2024 have been scheduled as follows:

- Interim Report 1-3/2024 Tuesday April 30, 2024, at 8.00 am
- Half Year Report 1-6/2024 Thursday August 22, 2024, at 8.00 am
- Interim Report 1-9/2024 Thursday October 24, 2024, at 8.00 am

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

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