Half Year Financial Report
H1 2018
1.1.-30.6.2018

Solteq Oyj, Karhumäentie 3, FI–01530 Vantaa
Tel +358 (0)20 14444, Fax +358 (0)20 1444 222
VAT no. FI04904840

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SOLTEQ PLC HALF YEAR FINANCIAL REPORT 1.1.–30.6.2018 (IFRS)

– Revenue totalled 29,103 thousand euros (26,557 thousand euros).

– EBITDA was 2,553 thousand euros (1,830 thousand euros).

– The adjusted EBITDA was 2,668 thousand euros (2,840 thousand euros).

– Operating profit was 1,329 thousand euros (829 thousand euros).

– The adjusted operating profit was 1,444 thousand euros (1,840 thousand euros).

– Solteq Group's equity ratio was 32.4 % (34.8 %).

– Earnings per share was 0,02 euros (-0,01 euros).

– The comparable revenue was 9.6 percent higher than in the comparison period, the drivers for this growth were mainly the acquisitions performed. Continuous services accounted for more than one third of the revenue.

– We invest strongly in future growth by focusing on the development of our own cloud-based software products and services. We estimate that this year's product development investments will amount to EUR 2.0 million.

Key figures

	4-6/18	4-6/17	Change-%	1-6/18	1-6/17	Change-%	1-12/17	Rolling 12mo
Revenue, TEUR	14 232	13 469	5,7 %	29 103	26 557	9,6 %	50 720	53 265
EBITDA, TEUR	629	1 167	-46,1 %	2 553	1 830	39,5 %	2 384	3 108
Adjusted EBITDA, TEUR	758	1 345	-43,7 %	2 668	2 840	-6,1 %	4 177	4 004
Operating profit, TEUR	24	651	-96,3 %	1 329	829	60,2 %	308	808
Adjusted operating profit, TEUR	153	829	-81,6 %	1 444	1 840	-21,5 %	2 101	1 705
Profit for the financial period, TEUR	-305	114	-367,8 %	353	-178	98,2 %	-1 514	-983
Earnings/share, e	-0,02	0,01	-300,0 %	0,02	-0,01	300,0 %	-0,08	-0,05
Operating profit-%	0,2 %	4,8 %		4,6 %	3,1 %		0,6 %	1,5 %
Adjusted operating profit	1,1 %	6,2 %		5,0 %	6,9 %		4,1 %	3,2 %
Equity ratio, %	32,4 %	34,8 %		32,4 %	34,8 %		33,7 %	31,3 %

The company has taken the IFRS 15 standard into use on 1 January 2018 retroactively and the comparison figures for 2017 have been adjusted.

Profit guidance 2018

Solteq Group's adjusted operating profit is expected to grow significantly compared to the financial year 2017.

CEO Olli Väätäinen:

THE FINAL PHASE OF THE BUSINESS TRANSFORMATION VISIBLE IN THE RESULT FOR THE SECOND QUARTER

Solteq Group's revenue was EUR 29.1 million in the first half of the year, a 9.6 per cent increase year-on-year. The drivers of this growth were mainly the acquisitions executed in 2017 and the strong demand for digital services. At the same time, the demand for retail systems decreased due to loss of customers, driven by consolidation of the retail industry. Nearly one fifth of the Group's revenue originated from outside Finland and continuous services accounted for more than one third of the revenue.

The Group's Finnish and Danish business operations performed as expected during the first half of the year. However, the company's Swedish operations did not achieve the targets set for them and were clearly loss making. The company carried out an efficiency improvement programme in its Swedish business operations, which will result in approximately EUR 1 million annualized cost saving. The cost saving is expected to be fully effective from the beginning of September 2018.

In the first half of the year, the company's adjusted EBITDA was EUR 2.7 million and its adjusted operating profit was EUR 1.4 million. The company's adjusted operating profit for the second quarter was EUR 0.2 million. The main drivers for the weaker than expected result were the Swedish business operations and the loss provisions made for certain old, nearly completed customer projects due to project delays. Other business operations performed as expected.

We invest strongly in future growth by focusing on the development of our own cloud-based software products and services. We have been especially active in areas that enable us to incorporate artificial intelligence and physical autonomous robotics into our products and services. Business Finland (Tekes) granted the company EUR 1.6 million in loan financing for product development in the above-mentioned areas. At the end of the second quarter, the company expanded its robotics offering to the Pepper service robotics by signing a developer cooperation agreement with SoftBank.

We will also continue to develop our own software products and services as well as those we have acquired through acquisitions. The focus of these efforts is mainly smart store system solutions, the optimization of the customer and user experiences in digital services as well as services related to online customer services and customer data management in the energy sector. We estimate that the total product development investments will grow to EUR 2.0 million this year.

During the second quarter, the company's personnel increased by 19 employees and was 569 employees at the end of the review period. During the review period, the company's personnel increased by 90 employees. Our operations are strongly based on the expertise and competencies of Solteqians.

Our reported revenue, EUR 29.1 million, has been calculated in accordance with the IFRS 15 standard. The standard relates to recognizing revenue from contracts with customers. The new standard was implemented on 1 January 2018 fully retrospectively and the comparable figures for 2017 have been adjusted accordingly. Our comparable revenue during the first half of 2017 was EUR 26.6 million.

The Group's order intake was good in the first half of the year. The business outlook is good for the second half of the current financial year and the company's profitability is expected to develop positively.

OPERATING ENVIRONMENT AND BUSINESS DEVELOPMENT

Solteq is a Nordic industry-independent IT provider and software house that specializes in digital business solutions. Our mission is to simplify the digital world to make a better tomorrow. For our customers, we are a partner who knows what it takes to win in digital disruption. Most of our current business operations are within industries where we have strong competence. These include retail and wholesale trade, the hospitality sector, manufacturing industry and the energy sector. Solteq develops and implements solutions for customers mainly in the Nordic countries. The company has offices in Finland, Sweden, Denmark, Norway and Poland. Nearly one fifth of the personnel works outside Finland.

Solteq serves those industries whose traditional operating models are being shaken by the digital revolution. Digital customer engagement becomes more versatile with the aid of service robotics and artificial intelligence, among other things. Combined with innovative solutions that make customers operations more efficient, this increases Solteq's business opportunities. Solteq is actively exploring new industries where the company has significant opportunities for leveraging its in-depth understanding of customers and technologies as well as its insight into the future.

In January, Solteq completed the purchase of the entire share capital of TM United A/S, as announced earlier. TM United A/S's solutions are focused on digital transactions and the optimisation of the online customer experience. With the acquisition, the company expanded its business operations to Denmark and Norway. TM United A/S was consolidated into Solteq Group on 1 January 2018.

Growth in Denmark and other Nordic countries was boosted by a business transaction with the Danish company ProInfo A/S on 15 June 2018. Through the transaction, Solteq acquired certain competencies and customerships related to retail and Horeca IT systems. 12 IT professionals joined Solteq as part of the acquisition.

Changes in the management

The company's CFO Antti Kärkkäinen announced that he would leave the company by 30 April 2018. The company appointed Martti Nurminen as the new CFO and a member of the Executive Team starting from 18 April 2018.

REVENUE AND LONG-TERM CONTRACTS

Revenue by operation:	**Group H1/2018**	**Group H1/2017**
Thousand EUR		
Services	25 425	23 462
Income from construction contracts	837	1 987
Income from software licenses	2 717	1 004
Sales of hardware	124	104
Total	**29 103**	**26 557**

Revenue increased by 9.6 percent compared to the previous year and totalled 29,103 thousand euros (previous review period 26,557 thousand euros).

Revenue consists of several individual customer ships. At the most, one client corresponds to less than ten percentages of the revenue.

The operating result for the review period was 1,329 thousand euros (829 thousand euros). The adjusted operating result was 1,444 thousand euros (1,840 thousand euros).

Result before taxes was 560 thousand euros (-84 thousand euros) and result review period was 353 thousand euros (-178 thousand euros).

BALANCE SHEET AND FINANCE

The total assets amounted to 67,338 thousand euros (63,255 thousand euros). Liquid assets totalled 2,414 thousand euros (3,168 thousand euros). The company has used 2,000 thousand euros of the standby credit limit amounting to a total of 4,000 thousand euros. In addition, the company has a credit limit of 2,000 euros, which was unused at the end of the review period.

The measures taken to improve the working capital circulation during the second quarter have progressed as expected and will continue.

The Group's interest-bearing liabilities were 27,877 thousand euros (26,746 thousand euros).

Solteq Group's equity ratio was 32.4 percent (34.8 percent).

On 1 July 2015 Solteq Plc (Solteq) issued an unsecured bond of 27 million euros. The bond carries a fixed annual interest of 6 percent and its maturity is five years. To reduce the company's interest costs Solteq Plc repurchased and cancelled the share of 2.5 million euros of the above-mentioned bond during the financial year 2016.

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 at any agreed review date, the Equity Ratio exceeds 27.5 percent, the Interest Coverage Ratio (EBITDA / net interest cost) exceeds 3.00:1 and that the Group's Net Interest Bearing Debt to EBITDA ratio does not exceed 3.50:1.

INVESTMENTS, RESEARCH AND DEVELOPMENT

The net investments during the review period were 5,826 thousand euros (-4,971 thousand euros). 1,385 thousand euros of the net investments of the review period were replacement investments and 4,441 thousand euros related to the company acquisitions. The net investments of the corresponding review period were 667 thousand euros of replacement investments and 4,304 thousand euros related to performed acquisitions.

Research and development

Solteq's research and development costs consist mainly of personnel costs. During the review period the company has continued further development of the existing software products and the development of new software services.

During the review period 795 thousand euros development costs were capitalized (none in the corresponding review period).

PERSONNEL

The number of permanent employees at the end of the review period was 569 (513).

Key figures for Group's personnel:

	1-6/18	**1-6/17**	**1-12/17**
Average number of the personnel during the financial period	526	457	485
Employee benefit expenses (1 000 €)	15 302	13 791	26 610

RELATED PARTY TRANSACTIONS

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

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

SHARES, SHAREHOLDERS AND TREASURY SHARES

Solteq Plc's equity on 30 June 2018 was 1,009,154.00 euros which was represented by 19,306,527 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 in the end of the review period.

In the review period Solteq Plc directed a share issue, totaling to 628,930 shares, to the shareholders of TM United A/S as a part of the company acquisition on 15 January 2018. The new shares were registered into trade register and publicly traded as of 22 March 2018. After the changes, the total number of shares was 19,306,527. The issued shares represent 3.3 percent of the company´s shares and votes. The subscription price was recorded in its entirety to the invested non-restricted fund of the company.

Stock option scheme and share-based incentive scheme of the management

During the financial year 2016 Solteq's Board of Directors decided to adopt a new stock option scheme and share-based incentive scheme for the key employees of the company. The purpose of both schemes is to encourage the key employees to work for the growth of the shareholder value and to commit the key employees to the employer. Terms and conditions of the stock option scheme and share-based incentive scheme are presented in more detail in the Stock Exchange Bulletin published on 15 July 2016.

The theoretical market value of the incentive scheme is about 0.6 million euros which will be recognized as an expense in accordance with IFRS 2 in the years 2016–2018. The expense will not be recognized on a cash flow basis except for the share of the share-based.

Exchange and rate

During the review period, the exchange of Solteq's shares in the Helsinki Stock Exchange was 0.5 million shares (0.9 million shares) and 0.8 million euros (1.5 million euros). The highest rate during the review period was 1.64 euros and lowest rate 1.39 euros. The weighted average rate of the share was 1.54 euros and end rate 1.52 euros. The market value of the company's shares in the end of the financial year totalled 29.3 million euros (29.8 million euros).

Ownership

In the end of the review period, Solteq had a total of 2,201 shareholders (2,255 shareholders). Solteq's 10 largest shareholders owned 13,199 thousand shares i.e. they owned 68.4 percent of the company's shares and votes. Solteq Plc's members of the Board of Directors and CEO owned 415 thousand shares on 30 June 2018 (15 thousand shares on 30 June 2017).

ANNUAL GENERAL MEETING

Solteq's Annual General Meeting on 27 March 2018 approved the financial statement for period 1 January – 31 December 2017 and discharged the CEO and the Board of Directors from liability.

The Board of Directors' proposal of to the General Meeting that no dividend will be paid from the financial year ended on 31 December 2017 was accepted.

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

The maximum total amount of shares or other rights is 3,500,000. The authorization includes the right to give new shares and rights or convey company's own shares. The authorization includes a right to deviate from the shareholders' pre-emptive right of subscription if there is a significant financial reason in company's opinion. These reasons include, but are not limited to, improving the capital structure, financing and executing business acquisitions and other business improvement arrangements or being used as a part of remuneration of personnel. The authorization includes that the Board of Directors may decide all the other terms and other matters concerning the share issue and rights. The authorization is effective until the next Annual General Meeting, however, no longer than until 30 April 2019.

In addition, the Board of Directors proposes that the Board of Directors is authorized 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 (direct) regarding business acquisitions or when executing other business arrangements. Accepting pledge may occur at once or in multiple transactions. The number of own shares to be accepted as pledge shall not exceed 2,000,000 shares. The authorization includes that the Board of Directors may decide on other terms concerning the pledge. The authorization is effective until the next Annual General Meeting, however, no longer than until April 30, 2019.

BOARD OF DIRECTORS AND AUDITORS

The Annual General Meeting on 27 March 2018 decided that The Board of Directors includes five members. Aarne Aktan, Eeva Grannenfelt, Kirsi Harra-Vauhkonen, Markku Pietilä and Mika Uotila were re-elected as Board members.

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

In addition, Aarne Aktan, Markku Pietilä and Mika Uotila were appointed to the members of the Audit Committee. Mika Uotila acts as the Chairman of the Audit Committee.

KPMG Oy Ab, Authorized Public Accountants, was re-elected as Solteq's auditors. Lotta Nurminen, APA, acted as the chief auditor.

EVENTS AFTER THE BALANCE SHEET DATE

There have been no events requiring reporting after the reporting period.

RISKS AND UNCERTAINTIES

The key uncertainties and risks in short term are related to the management of changes in financing and balance sheet structures, the timing and pricing of business deals that are the basis for revenue, changes in the level of costs and the company's ability to manage extensive contract agreements and deliveries.

The key business risks and uncertainties of the company are monitored constantly as a part of the Board of Directors' and Executive team's duties. In addition, the Company has the Audit Committee appointed by the Board of Directors.

FINANCIAL REPORTING

This Financial Statements Bulletin has been prepared in accordance with the recognition and valuation principles of IFRS standards and using the same accounting policies as the Financial Statements 2017, in addition, from January 1, 2018 we have followed the changes to IFRS standards which have been approved by the EU. Solteq Group has taken into use the new IFRS 15 and IFRS 9 and applied the changes to IFRS 2 standards. The IFRS 15 standard is applied in full retroactively. The impact of the adjustments is presented in the chapter "Impact of the new and changed standards". The preparation of the interim report has been in compliance with all IAS 34 standards.

Solteq Group has one reported segment, Software Services.

The most essential product and service types of the Solteq Group are software services, licenses and hardware sales.

The interim report is unaudited.

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(TEUR)

	1.4.- 30.6.18	**1.4.- 30.6.17***	**1.1.- 30.6.18**	**1.1.- 30.6.17***	**1.1.- 31.12.17***
REVENUE	14 232	13 469	29 103	26 557	50 720
Other income	0	11	0	13	52
Materials and services	-1 719	-1 888	-3 831	-3 363	-6 276
Employees benefit expenses	-9 839	-8 602	-18 676	-16 928	-32 880
Depreciation and impairments	-605	-516	-1 224	-1 000	-2 076
Other expenses	-2 045	-1 822	-4 043	-4 449	-9 231
OPERATING RESULT	24	651	1 329	829	308

Financial income and expenses	-361	-457	-769	-913	-1 764
RESULT BEFORE TAXES	-337	194	560	-84	-1 456
Income tax expenses	32	-80	-207	-94	-58
RESULT FOR THE FINANCIAL PERIOD	-305	114	353	-178	-1 514
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Translation difference	-30	42	-98	58	14
Other comprehensive income net of tax	-30	42	-98	58	14
TOTAL COMPREHENSIVE INCOME	-335	156	255	-120	-1 500
Total profit for the period attributable to owners of the parent	-305	114	353	-178	-1 514
Total comprehensive income attributable to owners of the parent	-335	156	255	-120	-1 500
Earnings/share, e (undiluted)	-0,02	0,01	0,02	-0,01	-0,08
Earnings/share, e (diluted)	-0,02	0,01	0,02	-0,01	-0,08

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

CONSOLIDATED BALANCE SHEET (TEUR)	**30.6.2018**	**30.6.2017 ***	**31.12.2017***
ASSETS			
NON CURRENT ASSETS			
Tangible assets	2 186	2 379	2 220
Intangible assets			
Goodwill	39 964	36 886	36 912
Other intangible assets	6 804	5 106	5 227

Available-for-sale financial assets	470	532	556
Trade and other receivables	186	289	184
Total non-current assets	49 608	45 192	45 099
CURRENT ASSETS			
Inventories	133	41	149
Trade and other receivables	15 182	14 854	14 701
Cash and cash equivalents	2 414	3 168	1 552
Total current assets	17 729	18 063	16 402
TOTAL ASSETS	67 338	63 255	61 501
EQUITY AND LIABILITIES			
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Share capital	1 009	1 009	1 009
Share premium reserve	75	75	75
Distributable equity reserve	12 922	11 935	11 960
Retained earnings	7 539	8 804	7 477
Total equity	21 546	21 823	20 520
Non-current liabilities			
Deferred tax liabilites	1 196	1 092	987
Financial liabilities	25 438	25 151	25 170
Current liabilites	19 157	15 189	14 824
Total liabilities	45 792	41 432	40 981
TOTAL EQUITY AND LIABILITES	67 338	63 255	61 501

CASH FLOW STATEMENT (TEUR)	1-6/2018	1-6/2017*	1-12/2017*
Cash flow from business operations			
Result for the financial period	353	-178	-1 514
Adjustment for operating profit	958	1 009	2 423
Changes in working capital	1 185	-3 309	-1 216
Interest paid	-37	-43	-1 804
Interest received	48	18	40
Net cash from operating activities	2 507	-2 503	-2 071
Cash flows from investing activities			
Acquisition of subsidiaries	-2 272	-2 395	-2 395
Investments in tangible and intangible assets	-972	-267	-1 074
Net cash used in investing activities	-3 244	-2 662	-3 469
Cash flow in financing activities			
Long-term loans, decrease	0	-555	-554
Short-term loans, increase	2 000	932	0
Short-term loans, decrease	-40	0	0
Payment of finance lease liabilities	-361	-308	-618
Share issue to personnel	0	669	669
Dividend payment	0	-882	-882
Net cash used in financing activities	1 599	-144	-1 385
Changes in cash and cash equivalents	862	-5 309	-6 925
Cash and cash equivalents 1 Jan 2018	1 552	8 477	8 477
Cash and cash equivalents 30 Jun 2018	2 414	3 168	1 552

* The company has taken the IFRS 15 standard into use retroactively and the comparison figures for 2017 have been adjusted.

STATEMENT OF CHANGES IN GROUP EQUITY (TEUR)

A=Share capital
B=Share issue
C=Own shares
D=Share premium account
E=Translation difference
F=Distributable equity reserve
G=Earnings
H=Total

	A	B	C	D	E	F	G	H
EQUITY 1 Jan 2017	**1 009**	**164**	**-1 109**	**75**	**-56**	**10 449**	**9 781**	**20 313**
Impact of the implementation of IFRS 15							51	51
ADJUSTED EQUITY 1 Jan 2017	**1 009**	**164**	**-1 109**	**75**	**-56**	**10 449**	**9 832**	**20 364**
Total comprehensive income					58		-169	-111
Incentive scheme and option scheme							29	29
Company acquisitions with own shares						779		779
Share issue directed to the personnel		-164				164		0
Directed issue to CEO						652		652
Directed issue to the owners of inPulse Works Oy						1 000		1 000
Conveyance/cancellation of own shares			1 109		0	-1 109		0
Dividend distribution							-882	-882
Transactions with owners	0	-164	1 109	0	0	1 486	-853	1 578
EQUITY 30 Jun 2017	**1 009**	**0**	**0**	**75**	**2**	**11 935**	**8 810**	**21 831**
EQUITY 1 Jan 2018	**1 009**	**0**	**0**	**75**	**-42**	**11 960**	**7 518**	**20 520**
Impact of the implementation of IFRS 9							-16	-16
Change of IFRS 2- standard							-15	-15
ADJUSTED EQUITY 1 Jan 2018	**1 009**	**0**	**0**	**75**	**-42**	**11 960**	**7 487**	**20 489**
Result for the financial period							353	353
Other comprehensive income					-98			-98
Total comprehensive income					-98		353	255
Other items							-146	-146
Incentive scheme and option scheme							-14	-14
Directed issue to the owners of TM United A/S						962		962
Transactions with owners						962	-14	948
EQUITY 30 Jun 2018	**1009**	**0**	**0**	**75**	**-140**	**12922**	**7680**	**21 546**

TOTAL INVESTMENTS (TEUR)	**1-6/2018**	**1-6/2017**	**1-12/2017**
Continuing operations,			
group total	-5 826	4 971	-6 051

LIABILITES (MEUR)	**30.6.2018**	**30.6.2017**	**31.12.2017**
Business mortgages	10,00	10,00	10,00
Other lease liabilities	0,35	0,15	0,25
Lease liabilities			
for premises	7,52	4,98	7,80

RELATED PARTY TRANSACTIONS (TEUR)	**30.6.2018**	**30.6.2017**	**31.12.2017**
Service sales	12	0	54
Renting arrangements	0	0	2
Purchases	93	48	48
Liabilities	0	0	2

Transactions with the insiders have been done at market price and are part of the company's normal software service business.

FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The fair values of the financial assets and liabilities are mainly the same as the book values both on 31 March 2018 and on 31 March 2017.

MAJOR SHAREHOLDERS 30 JUNE 2018	Shares and votes	
	Number	%
1. Sentica Buyout III Ky	4 621 244	23,9
2. Profiz Business Solution Oy	2 023 621	10,5
3. Keskinäinen Työeläkevakuutusyhtiö Elo	2 000 000	10,4
4. Saadetdin Ali	1 400 000	7,3
5. Varma Keskinäinen Eläkevakuutusyhtiö	1 245 597	6,5
6. Aalto Seppo	671 882	3,5
7. Roininen Matti	431 500	2,2
8. Väätäinen Olli	400 000	2,1
9. Lamy Oy	225 000	1,2
10. Sentica Buyout III Co-Investment Ky	180 049	0,9
10 largest shareholders total	13 198 893	68,4
Total of nominee-registered	1 060 620	5,5
Others	5 047 014	26,1
Total	19 306 527	100,0

FINANCIAL PERFORMANCE INDICATORS (IFRS)	1-6/2018	1-6/2017*	1-12/2017*
Net revenue MEUR	29,1	26,6	50,7
Change in net revenue	9,6 %	-16,4 %	-0,2 %
Operating result MEUR	1,3	0,8	0,3
% of revenue	4,6 %	3,1 %	0,6 %
Result before taxes MEUR	0,6	-0,1	-1,5
% of revenue	1,9 %	-0,3 %	-2,9 %
Equity ratio, %	32,4	34,8	33,7
Gearing, %	118,2 %	108,0 %	118,5 %
Net investments in non-current assets MEUR	5,8	5,0	6,1
Return on equity, rolling 12mo, %	-1,5 %	-2,1 %	-7,4 %
Return on investment, rolling 12mo, %	4,5 %	3,5 %	0,8 %
Personnel at end of period	569	513	480
Personnel average for period	526	457	485
KEY INDICATORS PER SHARE			
Earnings / share, e	0,02	-0,01	-0,08
Earnings / share, e (diluted)	0,02	-0,01	-0,08
Equity / share, e	1,12	1,24	1,10

* The company has taken the IFRS 15 standard into use retroactively and the comparison figures for 2017 have been adjusted.

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 reporting periods. The alternative performance measures should not be regarded as indicators that replace the financial key figures as defined in IFRS standards.

Solteq´s definition for the earlier term "excluding (or before) non-recurring items" is "adjusted". Operating profit (EBIT) excluding non-recurring items will be replaced by adjusted operating profit.

Other alternative performance measures used by Solteq Group are sales margin, EBITDA, equity ratio, gearing, return on equity, profit from invested equity and net debt. The calculation principles of these financial key figures are presented as part of this Interim Report. The performance measures presented as rolling 12 months include the total figures of the past for quarters.

The adjusted items and alternative performance measures in terms of the new terminology are the following:

Adjusted items:

Transactions that are not related 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-organisation 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

Adjusted operating profit (EBIT):

By their contents, the definitions correspond to the financial key figures reported earlier as "excluding non-recurring items".

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

Adjusted operating profit	**Q2/18**	**Q1/18**	**1-6/18**	**Q4/17***	**Q3/17***	**Q2/17***	**Q1/17***	**1-12/17***
Adjusted operating profit (EBIT)	153	1 291	1 444	375	-115	829	1 011	2 101
Adjusted items:								
Incentive scheme and option scheme (IFRS 2)	0	-14	-14	-79	39	49	29	38
Acquisition of subsidiaries	12	0	12	244	61	104	0	409
Transfer of AX business	0	0	0	0	0	25	0	25
Non-recurring severance packages	117	0	117	237	280	0	504	1 021
Reconciliation agreement	0	0	0	0	0	0	300	300
Adjustment items, total	128	-14	114	402	380	178	833	1 793
Operating profit (EBIT)	24	1 305	1 329	-27	-495	651	178	308

*The company has taken the IFRS 15 standard into use retroactively and the comparison figures for 2017 have been adjusted.

CALCULATION OF FINANCIAL RATIOS

Solvency ratio, in percentage:

equity
---------------------------------- x 100
balance sheet total – advances received

Gearing:

interest bearing liabilities – cash,
bank balances and securities
--- X 100
equity

Return on Equity (ROE) in percentage:

profit or loss before taxation - taxes
-- x 100
equity

Profit from invested equity in percentage:

profit or loss before taxation +
interest expenses and financing expenses
-- x 100
equity

Earnings per share:

pre-tax result - taxes +/- minority interest
----
diluted average share issue corrected number of shares

Diluted earnings per share:

diluted profit before taxation - taxes +/- minority interest
----
diluted average share issue corrected number of shares

Equity per share:

equity
----
number of shares

Gross profit: Revenue - Materials and services

EBITDA: Operating result + Depreciation and impairments

BUSINESS COMBINATIONS

Acquisitions in the review period

During the review period 1 Jan – 30 June 2018, two company acquisitions were made.

TM United A/S

Solteq Plc purchased the entire share capital of TM United A/S on 15 January 2018. TM´s solutions are focused on digital transactions and the optimization of the online customer experience. TM United A/S has been consolidated to Solteq Group since 1 January 2018.

ProInfo A/S

Growth in Denmark and the Nordic countries was boosted with a business acquisition with ProInfo A/S on 15 June 2018. Solteq Group acquired expertise and customer relationships related to IT and Horeca IT systems. In the acquisition 12 IT professionals were transferred to Solteq. ProInfo A/S has been consolidated to Solteq Group since 1 June 2018.

IMPACT OF THE ACQUIRED COMPANIES TO SOLTEQ GROUP

AGGREGATE FIGURES FOR THE ACQUISITION	**Acquisition**
Thousand EUR	Jan 15 / Jun 15 2018
Preliminary consideration	
Paid in cash	3 513
Directed issue	962
Total	4 475
Provisional values of the assets and liabilities arising from the acquisition	
Tangible fixed assets	17
Intaglible assets, software products **	1 031
Intangible assets	68
Deferred tax assets	0
Available-for-sale financial assets	0
Inventories	6
Trade and other receivables	1 298
Cash and cash equivalents	1 241
Total assets	3 661
Trade payables and other liabilities	-2 242
Financial liabilites	-40
Total liabilities	-2 282

The goodwill value from the acquisition	3 096
Cash flow from the acquisition	
Consideration paid in cash in 2018	3 479
Cash and cash equivalents of the acquired companies	1 241
Total cash flow from the acquisition	2 238

Goodwill consists of assets that cannot be separated like synergy benefits, competent personnel, market share and entrance to new markets

** Depreciations of the intangible rights during the financial year 2018 are 63 thousand euros (software products)

Other expenses	245
Total expenses related to the acquisition	245
Impact on the Solteq Group’s number of personnel	47

Impact on the Solteq Group’s comprehensive income statement	1-6/2018
Revenue*	4 474
Operating profit*	168

*The amount of the revenue and the operating profit from acquisition date to the end of the reporting period. TM United is consolidated into to Solteq Group as of 1 January 2018 and ProInfo as of 1 June 2018.

The revenue and operating profit of the acquired companies is not presented as the consolidation would have happened in the beginning of the financial year because it has not a significant effect on Solteq Group’s figures in financial year 2018.

Financial year 2017

During the financial year 1 Jan – 31 Dec 2017, two company acquisitions were made.

Analyteq Oy & inPulse Works Oy

Solteq acquired 51 percent of the shares of Analyteq Oy from Tuko Logistics Osk on 4 April 2017. The acquisition of Analyteq Oy deepens Solteq's knowledge on the core processes in commerce and analytics. Analyteq Oy has been consolidated to Solteq Group from the moment of acquisition onwards.

Solteq acquired 100 percent of the shares of inPulse Works Oy on 12 June 2017. With the acquisition, Solteq strengthens the knowledge of BI and analytics independently of the line of business. InPulse Works Oy has been consolidated to Solteq Group since 1 June 2017.

IMPACT OF THE ACQUIRED COMPANIES TO SOLTEQ GROUP

AGGREGATE FIGURES FOR THE ACQUISITION	**Acquisition**
THOUSAND EUR	
Consideration	
Paid in cash	3 794
Directed issue	1 031
Total	4 825
Provisional values of the assets and liabilities arising from the acquisition	
Tangible fixed assets	12
Intangible assets, software products **	1 329
Intangible assets	92
Deferred tax assets	0
Available-for-sale financial assets	0
Inventories	0
Trade and other receivables	1 016
Cash and cash equivalents	909
Total assets	3 358
Trade payables and other liabilities	-1 558
Loans	-372
Total liabilities	-1 930
Goodwill value from the acquisition	3 397
Cash flow from the acquisition	
Consideration paid in cash 2017	3 304

Cash and cash equivalents of acquired company on the acquisition date	909
Total cash flow from the acquisition	2 395

Goodwill consists of assets that cannot be separated like synergy benefits, competent personnel, market share and entrance to new markets.

** Depreciations of the intangible rights during the reporting period are 103 thousand euros (software products).

Expenses related to the acquisition	
Other expenses	92
Total expenses relate to the acquisition	92
Impact on the Solteq Group's number of personnel	79

Impact on the Solteq Group's comprehensive income statement	**4-12/2017**
Revenue*	3 153
Operating profit*	269

* The amount of the revenue and the operating profit from acquisition date to the end of the reporting period. Analyteq Oy is consolidated into the Solteq Group as of 4 April 2017. InPulse Works Oy is consolidated into the Solteq Group as of 1 June 2017.

The revenue and operating profit of the acquired companies is not presented as the consolidation would have happened in the beginning of the financial year because it has not a significant effect on Solteq Group's figures in financial year 2017.

The impact of the new and changed standards

IFRS 2 Share based payments: change of standards (applicable from January 1, 2018)

Due to the change of standards, the Group's share reward arrangements are handled in full as share based payments, whereas they used to be handled as both share based and monetary based. When the change of standards was applied from January 1, 2018, the part which earlier was handled as debt is now booked to equity. The impact of this change of standards to the Group's equity at January 1, 2018 was 15 thousand euros.

IFRS 9 Financial instruments (applicable from January 1, 2018)

The standard requires an evaluation of the risk for bad debts for all receivables. Solteq applies the simplified method (allowed by the standard) for the evaluation of the risk for bad debts related to its accounts receivables. The expected amount of bad debts from the whole contract period is based on the materialized bad debts during the review period. The impact to the provision for bad debts as required by the change of standards to the Group's equity as per January 1, 2018 was 16 thousand euros.

IFRS 15 Revenue from customer contracts (applicable from January 1, 2018)

The pivotal concepts of IFRS 15 have been analyzed through different revenue streams. These are own licenses and their maintenance, 3rd party licenses and their maintenance, 3rd party hardware and equipment, media sales and service sales. The biggest impact to revenue is deriving from the 3rd party licenses and their maintenance, and media sales. This is because of the new principal vs agent guidance. For these, an evaluation has been made regarding what role Solteq Plc has towards its end customer. The impact of the change in in revenue recognition principle to the year 2017's revenue was -10,8 million euros, when a net principle for presenting the revenue is applied and as revenue is presented the agent fee (earlier revenue was presented as gross). In the enclosure for the 2017 annual closing, the impact is preliminarily -9,8 million euros. The change to the preliminary estimate is due to the qualification of the handling of the sales revenue of the subsidiaries. No material impact was seen in the Group's operating profit or equity from applying the new standard. Solteq Plc has taken totally the standard into use retroactively. The numbers for the financial year 2017 and Q1 2017 adjusted with the new standard are presented enclosed.

IFRS 16 Leases (applicable from January 1, 2019)

Solteq Group will apply IFRS 16 from 1 January 2019. A more detailed assessment of the effects of the change is pending.

CONSOLIDATED STATEMENT OF COMPREHNSIVE INCOME (TEUR)	Reported value 1.4.- 30.6.17	IFRS15	Adjusted value 1.4.- 30.6.17	Reported value 1.1.- 30.6.17	IFRS15	Adjusted value 1.1.- 30.6.17	Reported value 1.1.- 31.12.17	IFRS15	Adjusted value 1.1.- 31.12.17
REVENUE	15 820	-2 351	13 469	31 224	-4 667	26 557	61 536	-10 816	50 720
Other income	11		11	13		13	52		52
Materials and services	-4 241	2 353	-1 888	-8 021	4 658	-3 363	-17 079	10 803	-6 276
Employee benefit expenses	-8 602		-8 602	-16 928		-16 928	-32 880		-32 880
Depreciation and impairments	-516		-516	-1 000		-1 000	-2 076		-2 076
Other expenses	-1 822		-1 822	-4 449		-4 449	-9 231		-9 231
OPERATING RESULT	649	2	651	838	-9	829	321	-13	308

Financial income and expenses	-457		-457	-913		-913	-1 765		-1 764
RESULT BEFORE TAXES	192	2	194	-75	-9	-84	-1 443	-13	-1 456
Income tax expenses	-80		-80	-94		-94	-58		-58
RESULT FOR THE FINANCIAL PERIOD	112	2	114	-169	-9	-178	-1 501	-13	-1 514
Other comprehensive income to be reclassified to profit ot loss in subsequent periods:									
Translation difference	42		42	58		58	14		14
Other comprehensive income, net of tax	42		42	58		58	14		14
TOTAL COMPREHENSIVE INCOME	154	2	156	-111	-9	-120	-1 487	-13	-1 500
Total profit for the period attributable to owners attributable to owners the parent	112	2	114	-169	-9	-178	-1 501	-13	-1 514
Total comprehensive income attributable to owners of the parent	154	2	156	-111	-9	-120	-1 487	-13	-1 500
Earnings/share, e (undiluted)	0,01		0,01	-0,01		-0,01	-0,08		-0,08
Earnings/share, e (diluted)	0,01		0,01	-0,01		-0,01	-0,08		-0,08

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

	Reported value		Adjusted value	Reported value		Adjusted value
CONSOLIDATED BALANCE SHEET (TEUR)	30.6.2017	IFRS15	30.6.2017	31.12.2017	IFRS15	31.12.2017

NON-CURRENT ASSETS						
Tangible assets	2 379		2 379	2 220		2 220
Intangible assets						
Goodwill	36 886		36 886	36 912		36 912
Other intangible assets	5 106		5 106	5 227		5 227
Available-for-sale financial assets	532		532	556		556
Trade and other receivables	289		289	184		184
Total non-current assets	45 192		45 192	45 099		45 099
CURRENT ASSETS						
Inventories	41		41	149		149
Trade and other receivables	14 811	43	14 854	14 663	38	14 701
Cash and cash equivalents	3 168		3 168	1 552		1 552
Total current assets	18 020	43	18 063	16 364	38	16 402
TOTAL ASSETS	63 212	43	63 255	61 463	38	61 501
EQUITY AND LIABILITIES						
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT						
Share capital	1 009		1 009	1 009		1 009
Share premium reserve	75		75	75		75
Reserve for own shares	11 935		11 935	11 960		11 960
Retained earnings	8 761	43	8 804	7 439	38	7 477
Total equity	21 780	43	21 823	20 482	38	20 520

Non-current liabilities						
Deferred tax liabilities	1 092		1 092	987		987
Financial liabilities	25 151		25 151	25 170		25 170
Current liabilities	15 189		15 189	14 824		14 824
Total liabilities	41 432		41 432	40 981		40 981
TOTAL EQUITY						
AND LIABILITIES	63 212	43	63 255	61 463	38	61 501

Financial reporting

Solteq Plc's financial information bulletins in 2018 have been scheduled as follow:
- Interim Report 1-9/2018 Thursday October 25, 2018 at 8.00 am

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

Additional information:

CEO, Olli Väätäinen
Tel +358 50 557 8111
Email olli.vaatainen@solteq.com

CFO, Martti Nurminen
Tel +358 40 751 7194
Email martti.nurminen@solteq.com

Distribution:
NASDAQ OMX Helsinki
Key media
www.solteq.com