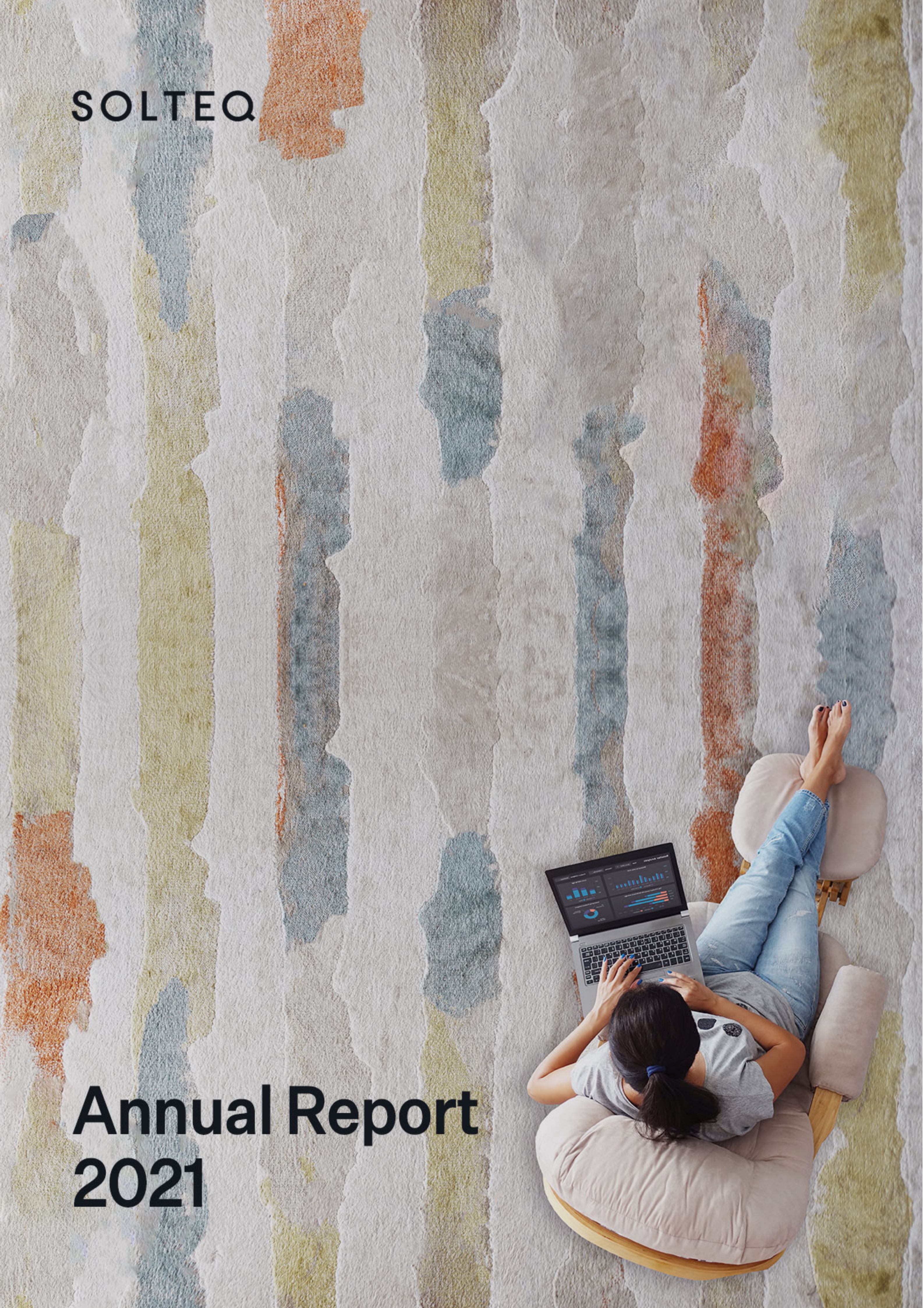
SOLTEQ



Annual Report 2021

Contents

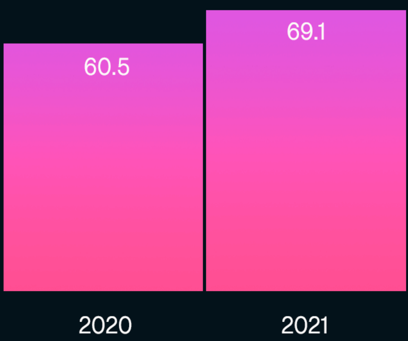
This is a voluntary prepared pdf report, so it does not fulfill the disclosure obligation pursuant to Section 7:5§ of the Securities Markets Act.

Solteq in Brief

Solteq is a provider of IT services and software solutions specializing in the digitalization of business and industry-specific software. The key sectors in which the Company has long-term experience are retail, manufacturing, utilities, and services. The Company employs over 650 professionals with offices in Finland, Sweden, Norway, Denmark, Poland and the UK, with a customer base throughout Europe.

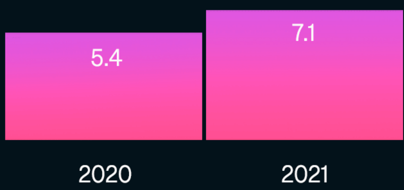
69.1 MEUR

Revenue



7.1 MEUR

Operating Profit



6

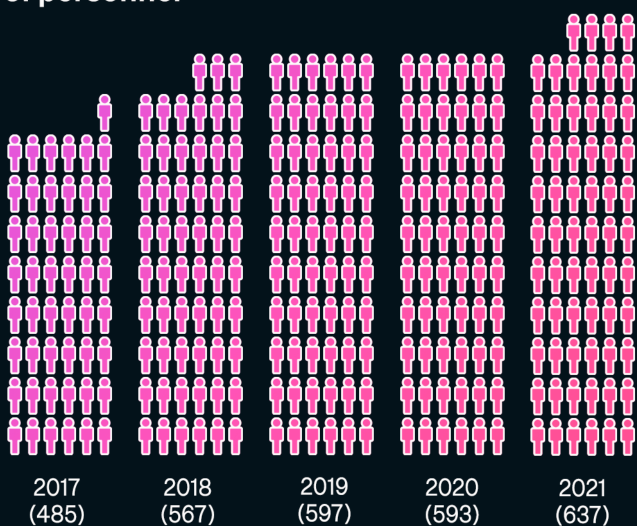
Countries

14

Offices

637

Average number of personnel




“The growth was fueled by Solteq Software’s Utilities business and the digital business and commerce solutions of Solteq Digital."
Interim CEO, CFO Kari Lehtosalo

A Year of Profitable Growth

Solteq Group's revenue for 2021 was EUR 69.1 million, an increase of 14.2 percent from the previous year. The growth was mainly organic. Profitability of the international subsidiaries improved significantly, particularly in Denmark. The revenue from the international subsidiaries accounted for 22.3 percent of the Group's revenue. Solteq Software segment accounted for just over a third and Solteq Digital segment less than two-thirds of the Group's revenue. The growth was fueled by Solteq Software's Utilities business and the digital business and commerce solutions of Solteq Digital.

The Group's year-on-year profitability improved significantly. EBITDA increased by 18.2 percent, to EUR 12.3 million. Operating profit was EUR 7.1 million, up by 33.1 percent from the previous year. The operating profit margin was 10.3 percent.

For both segments, the year was a time for growth and internationalization. Solteq Software clearly exceeded its annual target of over 20 percent growth in revenue and invested in the internationalization and software development of its Utilities and Retail businesses. The segment's result was affected by increases in subcontracting expenses and general costs. Solteq Digital developed positively during the year, and growth was particularly strong in digital business and commerce solutions in the Nordic market. Investments in the Company's product development amounted to EUR 2.8 million.

The COVID-19 pandemic continued throughout the year. The impact on business remained minor and mainly affected customer projects in the travel, service, and leisure sectors. The organization's operational capacity and the safety of its stakeholders were ensured by measures adopted already the previous year.

Solteq Group's business outlook remains stable both in Finland and internationally. The segments are expected to continue their upward trend, driven by the more versatile and international offering of Solteq Software's Utilities business and the digital expert services provided by Solteq Digital. The Company continues its investments in internationalization and the product development of Utilities business with focus on the first half of 2022. The digital reality is affecting everyone. Keeping up with the latest developments is therefore on the current and future agendas of companies of different sizes and in various sectors.

Kari Lehtosalo

Interim CEO, CFO

Corporate Governance Statement

Investor Information

Annual General Meeting

Solteq Plc ‘s Annual General Meeting will be held on Thursday March 24, 2022, at 12 p.m. Due to the COVID-19 pandemic, the Board of Directors has resolved on exceptional meeting procedures based on the temporary act (375/2021) that came into force on May 8, 2021. The shareholders of the Company and their proxy representatives may participate in the meeting and exercise their shareholder rights only by voting in advance and by presenting counterproposals and questions in advance. It is not possible to participate in the Annual General Meeting at the meeting venue and the meeting is not streamed live.

Solteq’s Financial Reporting in 2022

- Interim Report 1–3/2022 on April 28, 2022, at 8:00 a.m.
- Half Year Financial Report 1–6/2022 on August 11, 2022, at 8:00 a.m.
- Interim Report 1–9/2022 on October 27, 2022, at 8:00 a.m.

Stock Exchange Bulletins 2021

Oct 28, 2021	Solteq Plc: Solteq Plc’s Financial Reporting and Annual General Meeting in 2022
Oct 28, 2021	Solteq Plc: Solteq Plc’s Interim Report January 1 – September 30, 2021
Oct 1, 2021	Solteq Plc: Solteq Plc's CEO Leaves His Position in January 2022
Aug 17, 2021	Solteq Plc: Solteq Plc - Managers' Transactions
Aug 17, 2021	Solteq Plc: Solteq Plc - Managers' Transactions
Aug 12, 2021	Solteq Plc: Solteq Plc’s Half-Year Report January 1 – June 30, 2021
Aug 3, 2021	Solteq Plc: Notice pursuant to Chapter 9, Section 5 of the Finnish Securities Market Act
Jun 1, 2021	Solteq Plc: Correction to the Managers' Transactions notification
May 17, 2021	Solteq Plc: Change in the Board of Directors
May 14, 2021	Solteq Plc: Notice pursuant to Chapter 9, Section 5 of the Finnish Securities Market Act
May 14, 2021	Solteq Plc: Solteq Plc - Managers' Transactions
May 12, 2021	Solteq Plc Notice pursuant to Chapter 9, Section 5 of the Finnish Securities Market Act
May 12, 2021	Solteq Plc: Sentica has sold its shareholding in Solteq Plc
Apr 29, 2021	Solteq Plc: Solteq Plc’s Interim Report January 1 – March 31, 2021
Apr 27, 2021	Solteq Plc: Solteq Plc revises upwards its operating profit guidance for 2021
Apr 26, 2021	Solteq Plc: Sentica plans to reduce its ownership in Solteq Plc
Mar 30, 2021	Solteq Plc: Decisions of the Annual General Meeting 2021 and the Board meeting held after the Annual General Meeting
Mar 18, 2021	Solteq Plc: New shares in Solteq Plc registered into the trade register
Mar 10, 2021	Solteq Plc: Solteq Plc: Correction to the notice to Annual General Meeting 2021
Mar 9, 2021	Solteq Plc: Notice to Solteq Plc’s Annual General Meeting 2021
Mar 9, 2021	Solteq Plc: Solteq Plc’s Annual Report 2020 has been published
Mar 1, 2021	Solteq Plc Solteq Plc acquires Partiture’s professional services business specialized in the utilities sector
Feb 25, 2021	Solteq Plc: Solteq Plc’s Financial Statements Bulletin January 1 – December 31, 2020

Corporate Governance Statement

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

General Principles

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

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

Duties of the Governing Bodies

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

Annual General Meeting

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

The Annual General Meeting decides on the following matters:

- approval of the income statement and balance sheet,
- measures to be taken regarding the profit or loss shown on the approved balance sheet,
- discharging the members of the Board of Directors and the CEO from liability,
- number of Board members and their appointment,
- election of auditors,
- remuneration of the Board of Directors and auditors, and
- other matters specified in the notice to the Annual General Meeting.

Board of Directors

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

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

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

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

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

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

In accordance with the Articles of Association, Solteq's Board of Directors has a minimum of five and a maximum of seven regular members. The Board members are elected by the Annual General Meeting for one term of office at a time. The term of office begins at the end of Annual General Meeting that elects the Board of Directors and expires at the end of the first Annual General Meeting following the election. The Articles of Association places no restrictions on the power of the Annual General Meeting to elect members of the Board of Directors. The Board of Directors elects a chairman from among its members and the Board of Directors is deemed to have quorum when more than half of its members are in attendance. In addition to matters to be resolved, the Board of Directors is provided with up-to-date information on the Group's operations, financial standing and risks in its meetings. The Board of Directors meets 12–14 times per year according to an agreed schedule, in addition to which the Board of Directors is convened when necessary. Minutes are kept for all meetings.

The Annual General Meeting 2021 elected six (6) members to Solteq's Board of Directors: Markku Pietilä (Chairman), Aarne Aktan, Lotta Kopra, Katariina Segerståhl, Panu Porkka and Mika Uotila. On May 17, 2021, the Company announced the resignation of Mika Uotila, a member of Board of Directors. After the resignation, Solteq Plc's Board of Directors consisted of five members. The Board of Directors met 11 times during the year and had an attendance rate of 100 percent.

The Board's Diversity Principles

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

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

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

The Company's current Board of Directors is compliant with the diversity objectives. The Board members represent diverse industry and market knowhow as well as a variety of professional and academic backgrounds. During January 1 May 17, 2021, the Board of Directors was composed of four men and two women, and of three men and two women during May 18 - December 31, 2021.

The Audit Committee of the Board of Directors

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

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

The Audit Committee consists of three members. The Board of Directors elects the members and the Chairman of the Audit Committee from among its members.

The members of the Committee shall have the qualifications required for performing the tasks of the Committee, and at least one member shall have expertise in accounting or auditing.

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

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

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

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

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

Solteq Plc's Board of Directors has an Audit Committee whose members were Aarne Aktan, Markku Pietilä and Lotta Kopra during January 1 - March 30, 2021. After the Annual General Meeting, the Audit Committee members were Aarne Aktan, Markku Pietilä, and Katarina Segerståhl. The Chairman of the Committee is Aarne Aktan. All members of the Audit Committee are independent of the Company. Aarne Aktan, Lotta Kopra, and Katarina Segerståhl are independent of significant shareholders.

During the financial year 2021, the members of the Audit Committee were paid a fee for attending Committee meetings. The fee was determined by the Annual General Meeting.

CEO

The Board of Directors appoints the CEO. The CEO oversees the management of the Company's business operations and governance in accordance with the Articles of Association, the Finnish Companies Act, and the instructions issued by the Board of Directors. The CEO is assisted by the Executive Team in the management of the Group. Olli Väätäinen served as the Company's CEO during January 1 – December 31, 2021.

Executive Team

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

During January 1–December 31, 2021, the members of the Executive Team were Olli Väätäinen (Chairman and Solteq Software), Matti Djateu (Marketing and PR), Kirsi Jalasaho (People and Culture), Kari Lehtosalo (Finance and IR), and Juha Rokkanen (Solteq Digital).

Internal Audit

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

External Audit

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

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

Solteq Group's audit fees in 2021 amounted to EUR 141 thousand, fees for certificates and statements to EUR 10 thousand, and other professional services amounted to EUR 57 thousand. The audit fees paid to the Parent Company's auditor, KPMG Oy Ab, for 2021 were EUR 97 thousand, fees for certificates and statements to EUR 10 thousand, and fees for other professional services amounted to EUR 57 thousand.

Shares Held by the Management

According to the shareholding register maintained by Euroclear Finland Oy, the governing bodies held Solteq Plc shares as following on December 31, 2021:

- the members of the Board held 15,000 Solteq Plc shares,
- Chairman of the Board Markku Pietilä held 15,000 Solteq Plc shares,
- CEO Olli Väätäinen held 313,178 Solteq Plc shares, and
- the members of the Executive Team, excluding the CEO, held 91,503 Solteq Plc shares.

Internal Control and Risk Management Systems Associated with Financial Reporting

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

Risk Management System

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

Solteq takes risks according to its strategy and objectives. The Company is not willing to take risks that might compromise the continuity of operations, have significant negative impact on the Company's operations or might be uncontrollable. Risks are divided into operational, personnel, financing, legal, and financial risks. In the process of risk management, the goal is to identify and assess the risks, after which a risk-specific plan is drawn up and concrete action is taken. Such actions may include, for example, avoiding the risk, mitigating the risk by various means, or transferring the risk by means of insurance or agreements.

When necessary, the Board of Directors will be provided reports on any material changes and new significant risks identified in the process of risk management.

In 2021, the main risks reported to the Board of Directors were related to the direct and indirect effects of the COVID-19 pandemic, managing changes in the financial and balance sheet structure, timing and pricing of revenue-based transactions, changes in general costs, availability of labor and materials, development and commercialization of the Company's own products, and the capability to manage large-scale contracts and customer deliveries.

The most important risks and uncertainties for the Company's business are regularly monitored by the Board of Directors and the Executive Team. In addition, the Company has an Audit Committee established by the Board of Directors.

Control Environment

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

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

Risk Assessment in Financial Reporting

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

Control Functions

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

Revenue recognition is based on the existence of obligatory sales documentation. Goodwill is tested for impairment during the last quarter of the year. Indications of impairment are also monitored on a continuous basis. Information systems support compliance with the Group’s approval authorizations.

Personnel expenses account for a majority of Solteq's expenditure. Actual and forecasted personnel expenses are monitored, and the forecasts are regularly updated at a very detailed level. The results of business operations and achievement of annual targets are assessed monthly in Executive Team and Board meetings. Monthly reporting at the management and Board level includes both actual and forecast data compared to the targets and the actual results of previous periods.

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

Investor Communications and Financial Reporting

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

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

Monitoring

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

Insider Administration

Solteq Plc complies with the Guidelines for Insiders issued by Nasdaq Helsinki Ltd, which took effect on January 1, 2021. Pursuant to the Market Abuse Regulation (MAR), the persons discharging managerial responsibilities within the Company comprise the members of the Board of Directors and the Executive Team as well as certain other persons whose duties satisfy the criteria for being a person discharging managerial responsibilities. Persons discharging managerial responsibilities are prohibited from all trading in Solteq Plc's securities for a period of 30 days before the date of publication of financial information bulletins. Persons discharging managerial responsibilities and their closely associated persons must report all their business transactions related to the Company's securities to the Company and the Financial Supervisory Authority. The Company is required to publish the information as a stock exchange bulletin. Parties with access to specific insider information are entered in project-specific insider lists. Project-specific insiders are prohibited from all trading in the Company's securities during the time they are entered in the list of insiders.

Board of Directors on December 31, 2021

Markku Pietilä

Chairman of the Board

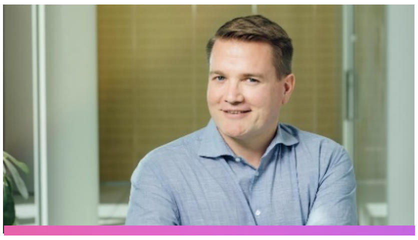
Year of birth: 1957
Education: M.Sc. (Tech.), MBA
Primary occupation: Board Professional
Key work experience: CEO, Kymiring Oy; Chairman of the Board, Profiz Business Solutions Oy; Management duties, Componenta Oyj
Member of the Board of Directors since: 2008
Independent of the Company.

Aarne Aktan

Year of birth: 1973
Education: B.Sc. (Econ.)
Primary occupation: CEO, Synlab Oy
Key work experience: CEO, Pihlajalinna Plc; CEO, Talentum Oyj; Executive positions, Quartal Oy
Member of the Board of Directors since: 2015
Independent of the Company and its significant shareholders.

Lotta Kopra

Year of birth: 1980
Education: M.Sc. (Econ.)
Primary occupation: CCO, Spinnova Oy
Key work experience: Founding partner, Magenta Advisory Oy; Member of the Board of Directors, eQ Oyj
Member of the Board of Directors since: 2018
Independent of the Company and its significant shareholders.



Panu Porkka

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

Katarina Segerståhl

Year of birth: 1981
Education: PhD, Information Systems
Primary Occupation: Chief Strategy Officer (CSO), Aava Health Services
Key work experience: Chief Strategy Officer (CSO), Aava Medical / Aho Group; Head of Strategic Design, Tieto Finland Oy.
Member of the Board of Directors since: 2019
Independent of the Company and its significant shareholders.

Executive Team on December 31, 2021

Olli Väätäinen

Year of birth: 1966
Education: M.Sc. (Econ.)
Primary occupation: CEO, Solteq Plc
Key work experience: COO, Kotipizza Group Oyj (2015-2017), Senior Advisor, Sentica Partners Oy (2003-2017)
Member of the Executive Team since: April 1, 2017
Key concurrent positions of trust: –

Kari Lehtosalo

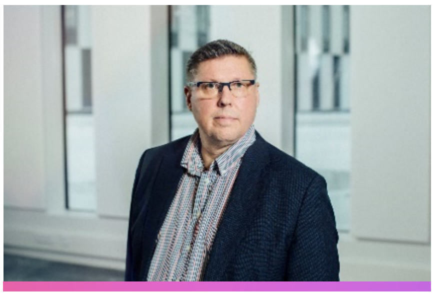
Year of birth: 1972
Education: MBA
Main occupation: CFO, Solteq Plc
Essential work experience: CFO, IBM (2013-2019); Finance and Business Development leadership positions, IBM (2001-2012)
Member of the Executive team since: September 23, 2019
Key concurrent positions of trust: -

Matti Djateu

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

Kirsi Jalasaho

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



Juha Rokkanen

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

Remuneration Report

Remuneration Principles

Remuneration report contains information on the remuneration of Solteq Plc's Board of Directors and CEO for the period between January 1 and December 31, 2021. The report has been prepared in accordance with the recommendations on Corporate Governance Code 2020 and the requirements of the Finnish Securities Markets Act and Limited Liability Companies Act.

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

In 2021, the Company's remuneration policy was implemented accordingly, and no exceptions were made. This remuneration report contains essential information on the remuneration paid and due to the Company's Board of Directors and CEO for the financial year 2021.

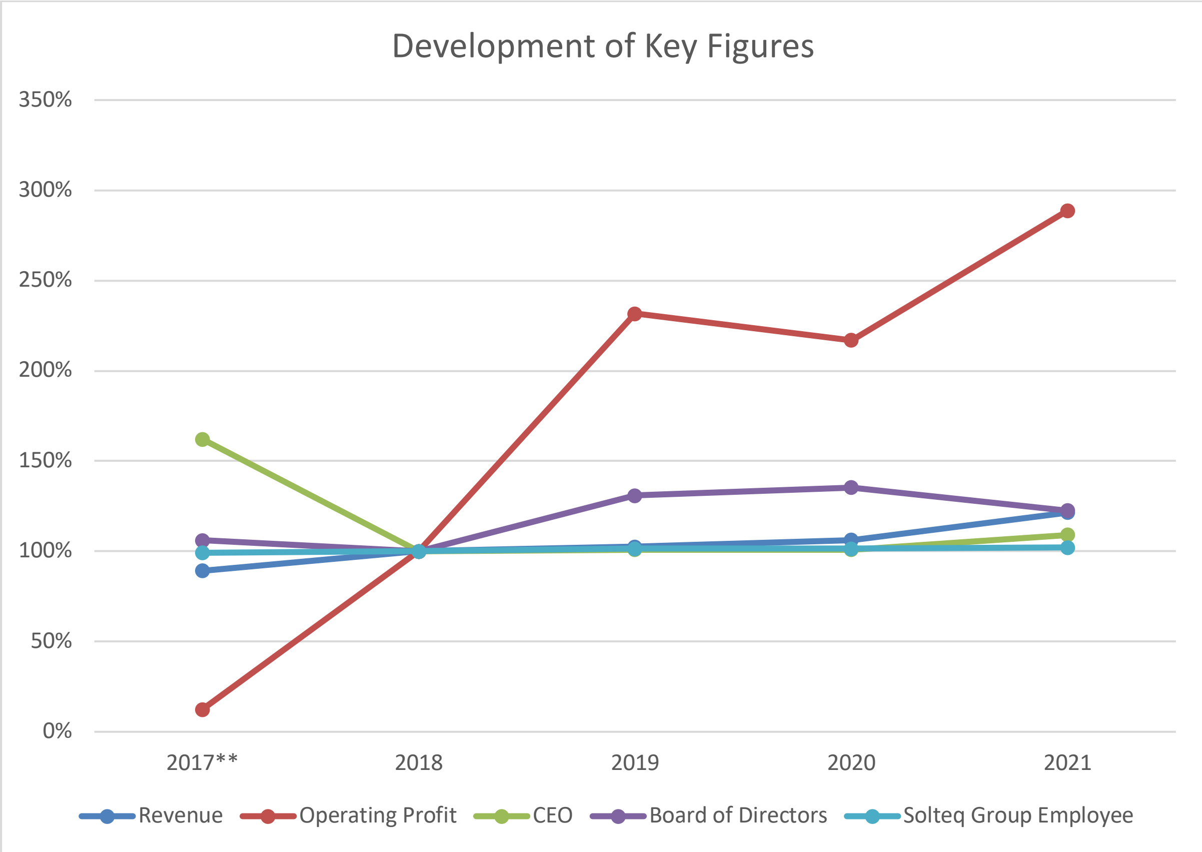
The remuneration report will be presented at the Annual General Meeting in 2022. The remuneration report is also published on the Company’s annual report and invitation to the Annual General Meeting as well as on the Company website.

Solteq’s Performance and Remuneration Development

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

The remuneration of the Board of Directors is based on monthly remuneration and a remuneration paid per meeting, which are decided by the Annual General Meeting. The latest increase to the amount of the monthly remuneration paid to the Board of Directors was decided in the Annual General Meeting 2017. The monthly remuneration paid to a member of the Board of Directors was increased by EUR 300 to EUR 1,500 and the monthly remuneration paid to the Chairman by EUR 1,800 to EUR 3,000. The fee paid per meeting has been EUR 500.

In 2021, the CEO's remuneration has consisted of the fixed fee based on the CEO’s contract. During the financial years 2020 and 2021, the CEO had no performance-based or other short- or long-term incentive schemes. During the financial year 2016, a new stock option scheme and a share-based incentive scheme were adopted for the key employees of the Company. The subscription period ended on December 31, 2019. No shares were subscribed during the subscription period. During the year 2017, the Company’s CEO changed, and figures represent compensations paid for both CEOs during the year 2017



** The comparison figures for 2017 have been retroactively adjusted according to the IFRS 15 standard. The Company's CEO changed in 2017.

Remuneration of the Board of Directors in 2021

The Annual General Meeting decides on the remuneration paid to the Board of Directors. In accordance with the decisions made in the 2020 and 2021 Annual General Meetings, the Chairman of the Board has been paid a monthly fee of EUR 3,000, other Board members have been paid a monthly fee of EUR 1,500. All Board members have been paid a meeting fee of EUR 500 for Board and Committee meetings. Board members' travel expenses have been compensated in accordance with the Company's applicable travel guidelines.

Remuneration paid and due to the Company's Board of Directors for the financial year 2021.

TEUR	Annual Remuneration	Meeting Remuneration	Total Remuneration
Pietilä Markku (Chairman of the Board)	36	9	45
Aktan Aarne	18	9	27
Kopra Lotta	18	6	24
Porkka Panu	18	6	24
Segerståhl Katarina	18	8	26
Uotila Mika (Jan 1 - May 17, 2021)	8	2	10
Total	**116**	**39**	**154**

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

CEO's Remuneration in 2021

The Board of Directors decides on the terms and conditions of the CEO's service agreement and decides on the remuneration of the CEO in accordance with the remuneration policy. The CEO was paid a fixed remuneration (a fixed part) in accordance with the CEO's service agreement. In 2021, the CEO did not have any performance-based or other short or long-term incentive schemes (possible variable part) in addition to the basic salary.

Remuneration paid and due to the CEO for the financial year 2021:

TEUR	Fixed Annual Remuneration	Total
Väätäinen Olli	313	313

The remuneration paid to the CEO includes taxable fringe benefits.

Other key terms:

- The CEO's notice period is 4 months.
- No severance pay is stipulated by the CEO's contract.

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

Report of the Board of Directors

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A Year of Profitable Growth

Solteq Group's revenue for 2021 was EUR 69.1 million, an increase of 14.2 percent from the previous year. The growth was mainly organic. Profitability of the international subsidiaries improved significantly, particularly in Denmark. The revenue from the international subsidiaries accounted for 22.3 percent of the Group's revenue. Solteq Software segment accounted for just over a third and Solteq Digital segment less than two-thirds of the Group's revenue. The growth was fueled by Solteq Software's Utilities business and the digital business and commerce solutions of Solteq Digital.

The Group's year-on-year profitability improved significantly. EBITDA increased by 18.2 percent, to EUR 12.3 million. Operating profit was EUR 7.1 million, up by 33.1 percent from the previous year. The operating profit margin was 10.3 percent.

For both segments, the year was a time for growth and internationalization. Solteq Software clearly exceeded its annual target of over 20 percent growth in revenue and invested in the internationalization and software development of its Utilities and Retail businesses. The segment's result was affected by increases in subcontracting expenses and general costs. Solteq Digital developed positively during the year, and growth was particularly strong in digital business and commerce solutions in the Nordic market. Investments in the Company's product development amounted to EUR 2.8 million.

The COVID-19 pandemic continued throughout the year. The impact on business remained minor and mainly affected customer projects in the travel, service, and leisure sectors. The organization's operational capacity and the safety of its stakeholders were ensured by measures adopted already the previous year.

Solteq Group's business outlook remains stable both in Finland and internationally. The segments are expected to continue their upward trend, driven by the more versatile and international offering of Solteq Software's Utilities business and the digital expert services provided by Solteq Digital. The Company continues its investments in internationalization and the product development of Utilities business with focus on the first half of 2022. The digital reality is affecting everyone. Keeping up with the latest developments is therefore on the current and future agendas of companies of different sizes and in various sectors.

Nordic IT Market Outlook within the Key Industries for Solteq

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

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

Evolving Operating Environment Creates Demand for Software Solutions in the Utilities Sector

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

The Utilities business consists of software solutions and expert services. The offering comprehensively takes into account the Nordic and EU level regulatory changes in the utilities sector. Among these are nationally driven datahub projects for centralized information exchange and the unification of operating models regarding measurement practices and the opening of electricity markets. The Company estimates that its long-term industry expertise, along with its industry-specific offering, meets the requirements of the changing operating environment and creates a clear competitive advantage in the Nordic market.

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

The Retail and Service Sectors Look for Unified Commerce Solutions

The compatibility and efficiency of IT architecture are challenged by increasingly multidimensional customer journeys, the increased number of online transactions accelerated by the COVID-19 pandemic, and the multiple information systems linked to the various stages of trading. The retail and service sectors are being transformed, and not only by rapid digital disruption but also by changing consumer behavior and needs. Customers in digital channels already have high expectations in terms of fluency, personalized service, and the user experience. According to Gartner, in 2021 the greatest additional investments in the retail sector will focus on business intelligence and analytics and the development of online stores.

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

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

Labor Shortage Creates Difficulties for the IT Sector

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

Profit Guidance 2022

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

Key Figures

	2021	2020	Change-% 2021-2020	2019
Revenue, TEUR	69,055	60,452	14.2	58,291
EBITDA, TEUR	12,267	10,380	18.2	9,714
Comparable EBITDA, TEUR	12,556	10,810	16.2	6,582
Operating profit, TEUR	7,123	5,350	33.1	5,711
Comparable operating profit, TEUR	7,412	5,780	28.2	2,579
Profit for the financial period, TEUR	4,100	1,980	107.1	2,803
Earnings per share, EUR	0.21	0.10	106.3	0.15
Operating profit, %	10.3	8.9		9.8
Comparable operating profit, %	10.7	9.6		4.7
Equity ratio, %	36.9	35.5		32.0

Revenue and Profit

Revenue increased by 14.2 percent compared to the previous year and totaled EUR 69,055 thousand (60,452). Operating profit for the review period was EUR 7,123 thousand (5,350). Comparable operating profit was EUR 7,412 thousand (5,780). Profit before taxes was EUR 5,245 thousand (2,737) and the profit for the financial period was EUR 4,100 thousand (1,980).

Solteq Digital

Solteq Digital performed well during the financial year. The segment's revenue was EUR 44,302 thousand (41,610), up by 6.5 percent. The segment's profitability improved significantly: EBITDA was EUR 7,916 thousand (5,856), and the operating profit EUR 5,563 thousand (3,119). The EBITDA increased by 35.2 percent and operating profit by 78.3 percent relative to the comparison period.

The segment's business consists of three solution areas: digital business and commerce solutions, data and analytics solutions, and business solutions. Of the segment's revenue, 45.1 percent was derived from digital business and commerce solutions, 21.1 percent from data and analytics solutions, and 33.8 percent from business solutions.

Demand in the key solution areas, such as digital business and commerce solutions, is expected to remain good during 2022.

Solteq Software

The revenue of Solteq Software segment was EUR 24,753 thousand (18,842), up by 31.4 percent relative to the comparison period. The profitability was negatively affected by larger-than-estimated investments in product development, increased subcontracting expenses due to the ongoing labor shortage, and the postponement of a significant customer delivery from 2021 to 2022. The segment's EBITDA was EUR 4,352 thousand (4,524) and operating profit EUR 1,560 thousand (2,231). The decrease was 3.8 percent in EBITDA and 30.1 percent in operating profit relative to the comparison period.

The segment's business primarily consists of the Utilities business and the retail sector's software and services. The Utilities business contributed 56.6 percent and the Retail business 36.1 percent to the segment's revenue.

The Utilities business expanded to consulting and professional services with the business transfer agreement with Partiture Oy and the acquisition of a Danish management consulting business specialized in the utilities sector. Comprehensive expert services strengthened the Company's competitiveness in the Nordic energy sector, where the demand for software solutions and IT expert services is increasing due to the changing operating environment. To secure internationalization and capability, significant product development efforts were made in the Utilities business. Enhanced investments in product development and internationalization focused on the second half of 2021 and will continue during the first half of 2022.

A significant milestone was reached in the product development of the Retail business. An extension introducing an ecommerce application for the retail and service sector was added to an existing product line. Cloud-based technology, versatile integration capabilities, open interfaces, and features supporting omnichannel business create significant competitive advantage for Solteq Software’s Retail business.

Important milestones were reached regarding the commercialization of Solteq Robotics. During the financial year, the first commercial pilot project for Solteq Retail Robot was carried out in collaboration with a Finnish retail chain, and a pilot project involving the use of indoor logistics robotics in a hospital environment was launched. The Company will incorporate the Solteq Robotics business area during 2022.

Recurring revenue accounted for 31.5 percent of the segment’s revenue. This was lower than previous estimates, due to high amount of expert work related to delivery projects in the Utilities business. Recurring revenue consists of software licensing, maintenance, and support fees. The Company aims to increase recurring revenue to account for more than 50 percent of the revenue within the next three years.

During the financial year, Solteq invested EUR 2,807 thousand in product development. The annual product development investments for Solteq Software are estimated to account for 10 to 15 percent of the segment’s revenue.

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

Balance Sheet and Finance

Total assets amounted to EUR 75,806 thousand (74,681) at the end of the review period. Liquid assets totaled EUR 3,588 thousand (4,877). The Company has a standby credit limit of EUR 4,000 thousand and a bank account credit limit of EUR 2,000 thousand. Both the standby credit limit and the bank account credit limit were unused at the end of the review and comparison period. At the end of the review period, the Company had a EUR 1,463 thousand (1,463) Business Finland loan for product development.

The Group’s Interest-bearing liabilities were EUR 29,524 thousand (31,371).

Solteq Group’s equity ratio was 36.9 percent (35.5).

On October 1, 2020, Solteq issued a new fixed rate bond with a nominal value of EUR 23.0 million. The proceeds from the bond were used to redeem an old bond, issued on July 1, 2015. Annual interest of 6.0 percent will be paid on the new bond, and it will mature on October 1, 2024. The new bond can be redeemed before its final maturity date. With the new bond, the Company secured its long-term financing and going concern.

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

Investment, Research, and Development

The net investments during the review period were EUR 7,147 thousand (5,456). Of the net investments, EUR 3,775 thousand were related to business acquisitions. Solteq Plc acquired the consulting business of Partiture Oy on March 1, 2021, and Solteq Denmark A/S acquired the entire share capital of Forsyning 360 ApS on October 1, 2021. There were no acquisitions during the comparison period. EUR 2,807 thousand (3,035) of the net investments were capitalized development costs relating to continued further development of the existing software products and the development of new software products. Other investments were EUR 564 thousand (2,421). Other investments include the net change in rented premises and equipment, totaling EUR 492 thousand (2,201).

Capitalized development costs included EUR 2,079 thousand (1,992) of personnel costs.

Personnel

The number of permanent employees at the end of the review period was 648 (597).

	2021	2020	2019
Average number of personnel during the financial period	637	593	597
Employee benefit expenses, TEUR	33,987	31,379	30,951

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 attachment 6.2.

Shares, Shareholders, and Treasury Shares

Solteq Plc’s equity on December 31, 2021, 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.

On March 8, 2021, Solteq Plc directed a share issue, totaling to 89,974 shares. The share issue was related to the business transfer agreement signed with Partiture Oy during the review period. The new shares were registered into Trade Register on the March 18, 2021, and were publicly traded as of March 19, 2021. After the changes, the total number of shares is 19,396,501. The issued shares represent around 0.5 percent of the Company´s shares and votes. The subscription price was recorded into the invested unrestricted equity reserve of the Company.

Exchange and Rate

During the review period, the exchange of Solteq's shares in the Nasdaq Helsinki Ltd was 25.1 million shares (6.7) and EUR 127.8 million (13.1). The highest rate during the review period was EUR 7.16 and lowest rate EUR 2.56. The weighted average rate of the share was EUR 5.08 and end rate EUR 4.68. The market value of the Company's shares at the end of the review period totaled EUR 90.8 million (54.1).

Ownership

At the end of the review period, Solteq had a total of 7,970 shareholders (3,390). Solteq's 10 largest shareholders owned 10,358 thousand shares, i.e., they owned 53.4 percent of the Company's shares and votes. Solteq Plc's members of the Board of Directors and CEO owned 328 thousand (592) shares on December 31, 2021.

Distribution of Holdings and Shareholder Information

Distribution of Holdings by Sector December 31, 2021

	Number of owners		Shares and votes	
	PCS	**%**	**PCS**	**%**
Private companies	247	3.10	3,825,086	19.72
Financial and insurance institutions	17	0.21	1,743,630	8.99
Public sector organizations	3	0.04	5,196,890	26.79
Households	7,670	96.24	7,808,734	40.26
Non-profit organizations	10	0.13	120,031	0.62
Foreign owners	23	0.29	702,130	3.62
Total	**7,970**	**100.00**	**19,396,501**	**100.00**
Total of nominee registered	9	0.11	1,054,969	5.44

Distribution of Holdings by Number of Shares December 31, 2021

	Number of owners		Shares and votes	
Number of shares	**PCS**	**%**	**PCS**	**%**
1 - 100	2,689	33.74	129,705	0.67
101 - 1 000	4,148	52.05	1,697,588	8.75
1 001 - 10 000	1,023	12.84	2,701,338	13.93
10 001 - 100 000	92	1.15	2,522,234	13.00
100 001 - 1 000 000	14	0.18	5,087,977	26.23
1 000 000 -	4	0.05	7,257,659	37.42
Total	**7,970**	**100.00**	**19,396,501**	**100.00**
of which nominee registered	9	0.00	1,054,969	5.44

Major Shareholders December 31, 2021

		Shares and votes number	%
1.	Profiz Business Solution Oy	2,060,769	10.62
2.	Elo Mutual Pension Insurance Company	2,000,000	10.31
3.	Ilmarinen Mutual Pension Insurance Company	1,651,293	8.51
4.	Varma Mutual Pension Insurance Company	1,545,597	7.97
5.	Aktia Capital Mutual Fund	770,000	3.97
6.	Aalto Seppo Tapio	615,000	3.17
7.	Saadetdin Ali Urhan	602,216	3.10
8.	Säästöpankki Small Cap Mutual Fund	500,000	2.58
9.	Väätäinen Olli Pekka	313,178	1.61
10.	OP-Finland Micro Cap	300,000	1.55
10 largest shareholders total		10,358,053	53.40
Total of nominee-registered		1,054,969	5.44
Others		7,983,479	41.16
Total		**19,396,501**	**100.00**

Annual General Meeting

Solteq's Annual General Meeting on March 30, 2021, approved the financial statement for period January 1–December 31, 2020, and discharged the CEO and the Board of Directors from liability.

The Board of Directors' proposal of to the Annual General Meeting that dividend of EUR 0.15 per share will be paid from the financial year ended on December 31, 2020, 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, Section 1 of the Finnish Companies Act as follows:

The maximum total amount of shares or other rights is 3,000 thousand. The authorization includes the right to give new shares 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, e.g., to improve the capital structure, to finance and execute business acquisitions and other business improvement arrangements or to implement the Company's incentive schemes. The authorization is proposed to include that the Board of Directors may decide the terms and other matters concerning the share issue and the granting of special rights, including the subscription price and the payment of the subscription price in cash or in whole or in part by other means (subscription in kind) or by using a claim on the subscriber to offset the subscription price and to record it in the Company's balance sheet.

The authorization is effective until the next Annual General Meeting, however, no longer than until April 30, 2022 (April 30, 2022, included).

In addition, the Annual General Meeting authorized the Board of Directors to decide on accepting the Company's own shares as pledge as follows:

The Board of Directors is authorized to decide on accepting the Company's own shares as pledge (directed) regarding business acquisitions or when executing other business arrangements. Accepting pledge may occur at once or in multiple transactions. The number of own shares to be accepted as pledge shall not exceed 2,000 thousand 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, 2022 (April 30, 2022, included).

Board of Directors and Auditors

The Annual General Meeting on March 30, 2021, decided that the Board of Directors includes six members. Aarne Aktan, Lotta Kopra, Markku Pietilä, Panu Porkka, Katarina Segerståhl, and Mika Uotila will continue on the Board.

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

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

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

Mika Uotila resigned from Solteq Plc's Board of Directors on May 17, 2021, after Sentica Partners Oy sold its ownership in the Company. Solteq Plc's Board of Directors will then consist of five members.

Other Events During the Review Period

On March 1, Solteq Plc announced the acquisition of Partiture Oy’s professional services business, specialized in the utilities sector.

On March 18, Solteq Plc announced that the new shares from the share issue to Partiture Oy have been registered into Trade Register.

On April 26, Solteq Plc announced that Sentica Partners Oy plans to reduce its ownership in Solteq Plc. According to the press release, no decision has yet been made on the method or the date of the possible share sale.

On April 27, Solteq Plc announced that the company revises upwards its operating profit guidance for 2021 due to better-than-expected performance during the beginning of the year. New guidance for 2021 states that Solteq Group’s revenue is expected to grow clearly and operating profit to improve clearly.

On May 12, Solteq Plc announced that Sentica Partners Oy has sold its ownership in Solteq Plc. According to the press release, funds managed by Sentica Partners Oy, Sentica Buyout III Ky and Sentica Buyout III Co-Investment Ky, have sold all of their ownership in Solteq Plc.

On May 17, Solteq Plc announced that Mika Uotila, a member of Solteq Plc’s Board of Directors, has announced his resignation from Solteq Plc’s Board of Directors. The resignation took effect immediately. Solteq Plc’s Board of Directors will then consist of five members.

On October 1, Solteq Plc announced that CEO Olli Väätäinen will resign in order to assume a new position outside of Solteq. Väätäinen continued in his current position as CEO of Solteq until the end of January 2022.

Events After the Reporting Period

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

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

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

Risks and Uncertainties

Material uncertainties and near-term risks consist of the direct and indirect impacts of the COVID-19 pandemic on the Company's business and financial position.

Other key uncertainties and risks are related to the management of changes in financing and balance sheet structures, the timing and pricing of business deals that are the basis for revenue, changes in general costs, developing Company's own products and their commercialization, and the Company's capability to manage extensive customer contracts and deliveries. In addition, the global shortage of IT experts and electronic components causes uncertainty.

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.

Impact of the COVID-19 Pandemic on Financial Reporting

The Company is continuously monitoring the COVID-19 pandemic situation, assessing its impact on the Company's operations, strategy and realization of targets, performance, financial position, and cash flows. Based on information currently available, the COVID-19 pandemic is not expected to have any long-term impact on the Company's financial performance.

The impairment tests of goodwill and capitalized development costs were performed during the last quarter of the financial year 2021. No need for impairment was identified, but a clear margin was left for each tested unit and project. No impairment losses were recognized in 2021 related to the goodwill of the Group, merger losses of the Parent Company or development costs. Impairment tests have been carried out at the cash-generating unit level. The recoverable amount has been determined by means of the value in use. The determined anticipated cash flows are based on the operating profit budget for 2022 and operating profit forecasts for the subsequent four years. The pandemic has had no effect on the valuation of the assets.

The Company has not historically incurred material credit losses, so the probability of such losses is low, and provisions for them have been small. Considering the situation, the Company prepared for any increased credit losses due to the COVID-19 pandemic in the first quarter of last year by increasing the credit loss provisions in the balance sheet. No significant changes have yet been observed in customers' payment behavior. The Company is following the situation closely.

The Company has also assessed the valuation of its other asset items and discovered that the pandemic has had no effect on their valuation so far.

Following the financial arrangements carried out at the end of previous fiscal year, the Company has a EUR 23.0 million bond that matures on October 1, 2024. The Company also has a EUR 4,000 thousand standby credit limit and a EUR 2,000 thousand bank account credit limit, both unused at the end of the review period. The Company's operations are on a solid foundation, and it is the management's view that the Company has the capacity to overcome the COVID-19 pandemic's negative impacts on its business operations.

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

At the end of financial year 2021, the distributable equity of the Group's Parent Company is EUR 19,184,240.16.

The Board of Directors proposes to the Annual General Meeting that no dividend be distributed based on the balance sheet to be adopted for the financial year 2021 directly by a resolution of the General Meeting but that the General Meeting authorize the Board of Directors to decide, at its sole discretion, on the distribution of a maximum of EUR 0.10 per share from retained earnings. If the conditions for dividend distribution are met, the Board of Directors is entitled, based on the authorization, to decide on the amount of the dividend within the limit of the above maximum amount, the record date of the dividend payment, the dividend payment date, and other required measures. The Company will make a separate announcement on the possible decision by the Board of Directors to distribute dividend and announce the applicable dividend record date and dividend payment date at the same time.

The dividend to be distributed based on the resolution of the Board of Directors will be paid to shareholders who are, on the record date of the dividend payment, recorded in the shareholders' register of the Company held by Euroclear Finland Oy.

The authorization will be valid until September 30, 2022 (including September 30, 2022).

Corporate Governance Statement

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

Statement of Non-Financial Information

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

Key Figures

Key Figures of the Group

Key Figures Outlining the Group's Financial Development	2021	2020	2019	2018	2017 **
Revenue, MEUR	69.1	60.5	58.3	56.9	50.7
Change in revenue, %	14.2	3.7	2.5	12.1	-0.2
Operating profit, MEUR	7.1	5.4	5.7	2.5	0.3
% of revenue	10.3	8.9	9.8	4.3	0.6
Result before taxes, MEUR	5.2	2.7	3.7	0.6	-1.5
% of revenue	7.6	4.5	6.3	1.1	-2.9
Return on equity, %	15.0	7.8	12.1	1.7	-7.3
Return on investment, %	13.0	9.1	10.4	5.2	0.8
Equity ratio, %	36.9	35.5	32.0	32.4	33.7
Net investments in non-current assets, MEUR	7.1	5.5	4.6	8.3	6.1
% of revenue	10.3	9.0	7.9	14.6	11.9
Research and development costs, MEUR	2.8	3.0	3.9	2.3	1.8
% of revenue	4.1	5.0	6.7	4.0	3.6
Net debt, MEUR	25.9	26.5	31.5	22.9	24.3
Gearing, %	92.6	99.9	128.5	105.1	118.5
Average number of employees over the financial period	637	593	597	567	485

Group's Key Figures Per Share	2021	2020	2019	2018	2017 **
Earnings per share, EUR	0.21	0.10	0.15	0.02	-0.08
Equity per share, EUR	1.44	1.37	1.27	1.13	1.10
Dividends per share, EUR*	0.10	0.15	0.00	0.00	0.00
Dividend from result, % *	47.3	146.3	0.0	0.0	0.0
Effective dividend yield, % *	2.1	5.4	0.0	0.0	0.0
Price–earnings ratio (P/E)	22.1	27.3	10.3	70.1	-19.0
Highest share price, EUR	7.16	3.7	1.65	1.64	1.76
Lowest share price, EUR	2.56	0.96	1.27	1.26	1.44
Average share price, EUR	5.08	1.95	1.44	1.49	1.64
Market value of the shares, TEUR	90,776	54,058	28,767	25,098	28,390
Shares trade volume, 1,000 pcs	25,148	6,720	808	827	1,672
Shares trade volume, %	129.7	34.8	4.2	4.3	9.2
Weighted average of the share issue corrected number of shares during the financial period, 1,000 pcs	19,382	19,307	19,307	19,202	18,197
Number of shares corrected by share issue at the end of the financial period, 1,000 pcs	19,397	19,307	19,307	19,202	18,197

* Solteq Plc's Board of Directors proposes that the Annual General Meeting authorize the Board of Directors to decide on the distribution of dividend of a maximum of EUR 0.10 per share
** The Company has taken the IFRS 15 standard into use on January 1, 2018, retroactively and the comparison figures for 2017 have been adjusted.

Calculation of the Key Figures

Return on Equity (ROE), %: profit for the financial period (rolling 12 months) / equity (average for the period) x 100

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

Equity ratio, %: equity / (balance sheet total - advances received) x 100

Net debt: interest bearing liabilities - cash and cash equivalents

Gearing, %: (interest bearing liabilities - cash and cash equivalents) / equity x 100

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

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

Equity per share: equity / number of shares

Dividend per share: dividend for the period / number of shares at the year-end

Dividend from result, %: dividend per share / earnings per share x 100

Effective dividend yield: dividend per share / share price at the year-end x 100

Price–earnings (P/E) ratio: share price at the year-end / earnings per share x 100

The market value of Company's shares: the number of shares at the year-end x share price at the year-end

EBITDA: operating profit + depreciation and impairments

Alternative Performance Measures to be Used by Solteq Group in Financial Reporting

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

Performance measures used by Solteq Group are EBITDA, equity ratio, gearing, return on equity, return on investment, and net debt. The calculation principles of these financial key figures are presented above, Calculation of the key figures.

Items Affecting Comparability:

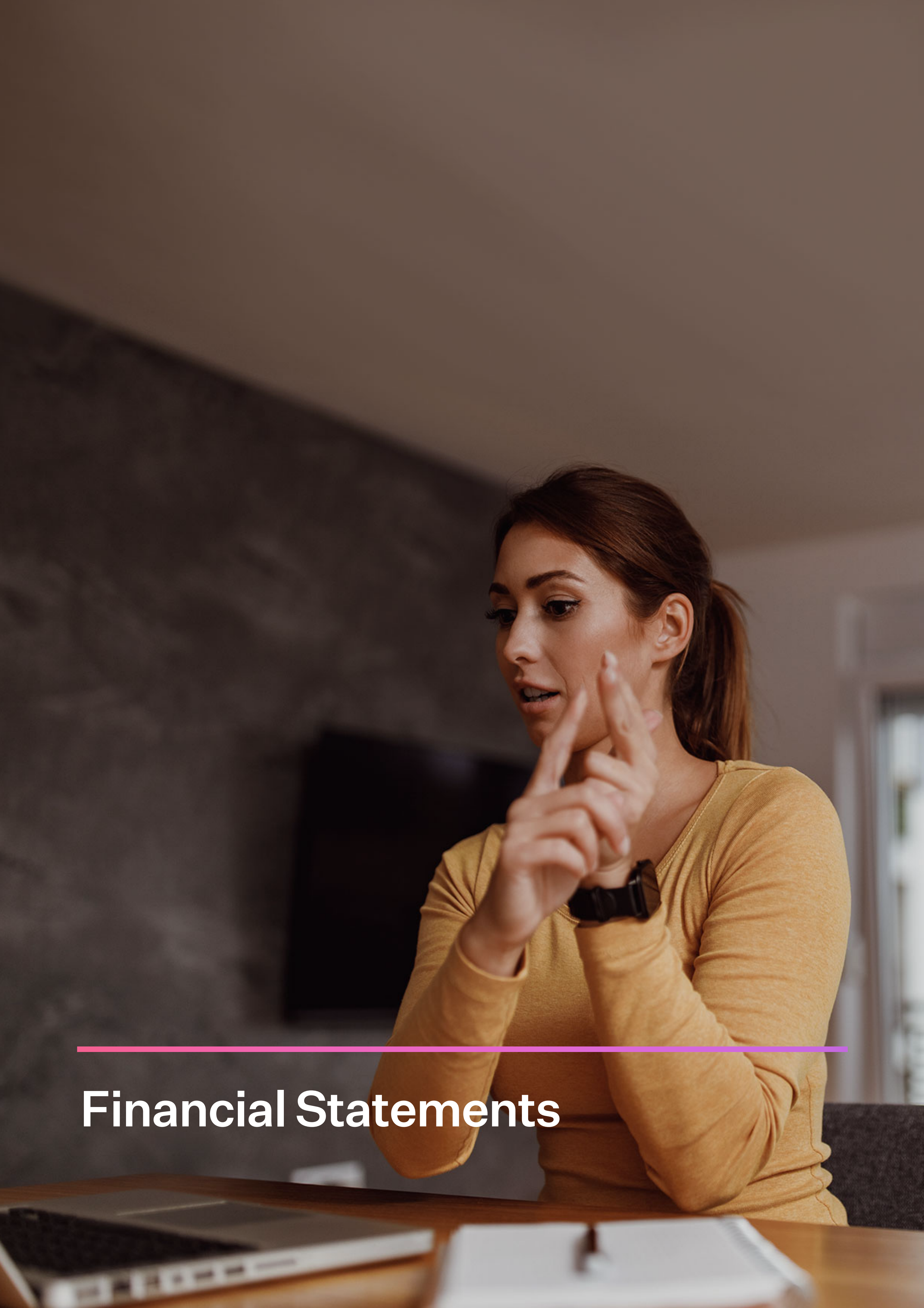
Transactions that are unrelated to the regular business operations, or valuation items that do not affect the cash flow, but have an important impact on the income statement, are adjusted as items that affect comparability. These non-recurring items may include the following:

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

Comparable EBITDA and Operating Profit (EBIT)

	2021			2020		
TEUR	**Solteq Digital**	**Solteq Software**	**Group**	**Solteq Digital**	**Solteq Software**	**Group**
Comparable EBITDA*	**7,969**	**4,587**	**12,556**	**6,236**	**4,574**	**10,810**
Comparable EBITDA, %	18.0	18.5	18.2	15.0	24.3	17.9
Operating profit (EBIT)	**5,563**	**1,560**	**7,123**	**3,119**	**2,231**	**5,350**
Items affecting comparability						
Acquisition costs		189	189			0
Cost of integrating the acquired business		7	7			0
Non-recurring severance packages	28	39	68	380	50	430
Costs incurred by the re-organization of operations	25		25			0
Total items affecting comparability	**53**	**236**	**289**	**380**	**50**	**430**
Comparable operating profit (EBIT)	**5,617**	**1,795**	**7,412**	**3,499**	**2,281**	**5,780**
Comparable operating profit, %	12.7	7.3	10.7	8.4	12.1	9.6

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



Financial Statements

Consolidated Financial Statements

Consolidated Statement of Comprehensive Income

TEUR	Notes	1 Jan 2021 - 31 Dec 2021	1 Jan 2020 - 31 Dec 2020
Revenue	2.1, 2.2	**69,055**	**60,452**
Other income	2.4	113	279
Materials and services		-7,903	-5,936
Employee benefit expenses	2.3	-40,312	-36,891
Other expenses	2.4, 2.5	-8,685	-7,523
Depreciations and impairments	3.4	-5,144	-5,030
Operating profit		**7,123**	**5,350**
Financial income	2.6	357	370
Financial expenses	2.6	-2,235	-2,982
Profit before taxes		**5,245**	**2,737**
Income taxes	2.7	-1,145	-757
Profit for the financial period		**4,100**	**1,980**
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Currency translation differences		-46	1
Other comprehensive income, net of tax		-46	1
Total comprehensive income		**4,055**	**1,981**
Earnings per share attributable to equity holders of the Parent			
Earnings per share, EUR (undiluted)		0.21	0.10
Earnings per share, EUR (diluted)		0.21	0.10

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

The financial statements should be read in conjunction with the accompanying notes

Consolidated Statement of Financial Position

TEUR	Notes	31 Dec 2021	31 Dec 2020
Assets			
Non-current assets			
Tangible assets	3.1	244	433
Right-of-use assets	3.2	5,010	6,933
Intangible assets			
Goodwill	3.3	42,325	38,949
Other intangible assets	3.3	12,092	11,277
Other investments	5.3	438	441
Trade and other receivables	4.1	198	158
Non-current assets total		**60,307**	**58,190**
Current assets			
Inventories	4.2	207	74
Trade and other receivables	4.1	11,705	11,540
Cash and cash equivalents	5.4	3,588	4,877
Current assets total		**15,500**	**16,492**
Total assets		**75,806**	**74,681**
Equity and liabilities			
Equity attributable to equity holders of the Parent Company			
Share capital	5.5	1,009	1,009
Share premium reserve	5.5	75	75
Distributable equity reserve	5.5	13,260	12,910
Retained earnings	5.5	13,660	12,515
Total equity		**28,004**	**26,509**
Non-current liabilities			
Deferred tax liabilities	2.7	610	567
Financial liabilities	5.2	24,217	24,138
Lease liabilities	5.2	3,330	4,830
Non-current liabilities total		**28,158**	**29,536**
Current liabilities			
Trade and other payables	4.3	17,595	16,173
Provisions	4.4	73	61
Lease liabilities	5.2	1,976	2,402
Current liabilities total		**19,644**	**18,636**
Total liabilities		**47,802**	**48,173**
Total equity and liabilities		**75,806**	**74,681**

The financial statements should be read in conjunction with the accompanying notes

Consolidated Cash Flow Statement

TEUR	Notes	1 Jan 2021 - 31 Dec 2021	1 Jan 2020 - 31 Dec 2020
Cash flow from operating activities			
Profit for the financial period		4,100	1,980
Adjustments for operating profit	2.9	7,096	7,574
Changes in working capital		514	-60
Interests paid		-1,772	-3,218
Interests received		16	25
Net cash flow from operating activities		**9,955**	**6,302**
Cash flow from investing activities			
Business acquisitions		-2,855	
Disposal of other shares and holdings			38
Divested businesses			4,071
Investments in tangible and intangible assets		-3,064	-3,477
Net cash used in investing activities		**-5,920**	**631**
Cash flow from financing activities			
Long-term loans, increase			23,262
Short-term loans, decrease			-26,500
Payment of lease liabilities	5.2	-2,415	-2,465
Dividend payment		-2,909	
Net cash used in financing activities		**-5,325**	**-5,704**
Changes in cash and cash equivalents		**-1,289**	**1,230**
Cash and cash equivalents at the beginning of period		4,877	3,648
Cash and cash equivalents at the end of period	5.4	**3,588**	**4,877**

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

TEUR	2021	2020
Cash and cash equivalents	3,588	4,877
Total	**3,588**	**4,877**

The financial statements should be read in conjunction with the accompanying notes

Consolidated Statement of Changes in Equity

TEUR	Share capital	Share premium account	Invested unrestricted equity reserve	Currency translation difference	Retained earnings	Total
Equity 1 Jan 2020	**1,009**	**75**	**12,910**	**-100**	**10,633**	**24,528**
Profit for the financial period					1,980	1,980
Other items on comprehensive income				1		1
Total comprehensive income	**0**	**0**	**0**	**1**	**1,980**	**1,981**
Transactions with owners						
Returned dividends					0	0
Transactions with owners	**0**	**0**	**0**	**0**	**0**	**0**
Equity 31 Dec 2020	**1,009**	**75**	**12,910**	**-99**	**12,613**	**26,509**
Equity 1 Jan 2021	**1,009**	**75**	**12,910**	**-99**	**12,613**	**26,509**
Profit for the financial period					4,100	4,100
Other items on comprehensive income				-46		-46
Total comprehensive income	**0**	**0**	**0**	**-46**	**4,100**	**4,055**
Transactions with owners						
Returned dividends					0	0
Dividends paid					-2,909	-2,909
Share issue			350			350
Transactions with owners	**0**	**0**	**350**	**0**	**-2,909**	**-2,559**
Equity 31 Dec 2021	**1,009**	**75**	**13,260**	**-144**	**13,805**	**28,004**

Notes to Consolidated Financial Statements

1. GENERAL INFORMATION

1.1 Group Information

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

The Group's Parent Company is Solteq Plc, whose business ID is 0490484-0. Solteq Plc is a Finnish public limited company whose shares are quoted on Nasdaq Helsinki Ltd. The Company is domiciled in Vantaa, Finland, with headquarters at: Karhumäentie 3, 01530 Vantaa. A copy of Solteq Plc's consolidated financial statements is available at www.solteq.com or from the headquarters in Vantaa.

Solteq Plc's Board of Directors approved these financial statements for publication at its meeting on February 16, 2022. Pursuant to the Finnish Limited Liability Companies Act, shareholders have the right to either accept or reject the financial statements at the Annual General Meeting held after publication. The Annual General Meeting also has the option of deciding that the financial statements be amended.

1.2 Basis of Preparation

Solteq's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) complying with the IAS and IFRS standards as well as the SIC and IFRIC interpretations valid as at December 31, 2021. International Financial Reporting Standards mean the standards and their interpretations that have been approved for adoption in the EU in accordance with the procedure No. 1606/2002 enacted in the Finnish Accounting Act and EU (EC) regulations laid down by the Act. The notes to the consolidated financial statements are also in accordance with the requirements of the Finnish Accounting and Companies legislation.

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

1.3 New and Amended Standards Applied in Financial Year

New and Amended Standards Adopted in 2021

The impact from new and amended standards issued during financial year 2021 are not considered to be material to the Group's financial reporting.

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

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

1.4 Management Judgement and Use of Estimates

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

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

Accounting Policies Requiring Management Judgement and Significant Uncertainties Relating to Accounting

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

Management Judgement Regarding Selection and Application of Accounting Policies

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

Uncertainties Relating to Accounting Estimates

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

2. FINANCIAL RESULT

2.1 Segment Reporting

Accounting Policy

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

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

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

Solteq Software includes businesses based on the Company's own products. The segment's revenue is mainly derived from license and maintenance fees for Solteq's own products, and the related services such *as integrations and implementation projects. The segment's business primarily consists of the Utilities business and the Retail sector's software and services.*

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

	2021			2020		
TEUR	**Solteq Digital**	**Solteq Software**	**Group**	**Solteq Digital**	**Solteq Software**	**Group**
Revenue	44,302	24,753	69,055	41,610	18,842	60,452
EBITDA	7,916	4,352	12,267	5,856	4,524	10,380
EBITDA, %	17.9	17.6	17.8	14.1	24.0	17.2
Depreciations and impairments	-2,352	-2,792	-5,144	-2,737	-2,293	-5,030
Operating profit	5,563	1,560	7,123	3,119	2,231	5,350
Operating profit, %	12.6	6.3	10.3	7.5	11.8	8.9
Financial income and expenses			-1,878			-2,613
Profit before taxes			5,245			2,737
Income taxes			-1,145			-757
Profit for the financial period			4,100			1,980

Accounting Policy

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

Revenue by Country

TEUR	**2021**	**2020**
Finland	53,635	47,972
Other countries	15,421	12,479
Total	**69,055**	**60,452**

2.2 Revenue from Contracts with Customers

Accounting Policy

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

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

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

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

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

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

Contract Assets on the Balance Sheet

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

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

Estimating Variable Consideration

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

Contract Costs

Solteq does not have significant incremental costs of obtaining contracts.

The revenue of Solteq Digital mainly comprises professional services. These services include consulting, implementation of systems as projects, continuous development services, and maintenance. The reporting of revenue from contracts with customers in Solteq Digital remains nearly the same, and the revenue is classified in either services or software and hardware sales. The services mainly consist of time and material-based consulting, support and development services provided by the Company, as well as projects. The Company recognizes revenue over time as the customer receives the benefits of the service. In addition, Solteq Digital generates revenue of software and hardware sales, consisting mainly of third-party software license and maintenance fees.

Solteq Software's business is based on the Company's own products. The segment's revenue is mainly derived from license and maintenance fees for Solteq's own products, and related services such as integrations and implementation projects. Solteq Software's revenue from contracts with customers is classified into services, recurring revenue/SaaS, and non-recurring license and hardware sales. The services mainly consist of time and material-based consulting as well as support and development services and projects provided by the Company, for which the customer receives the benefits as the service is provided. Recurring revenue/SaaS includes sales related to Solteq's own products where the amount charged is not dependent on the amount of work performed and the charge is recurring or deferred over the contract period. In addition, the contract needs to be valid until further notice or the contract period is minimum 12 months to be classified as recurring Revenue/SaaS. Non-recurring license and hardware sales include license fees related to the Company's own software and directly related products and hardware. The revenue is recognized as point in time.

Solteq Digital

TEUR	**2021**	**2020**
Services	41,692	38,663
Software and hardware sales	2,610	2,947
Total	**44,302**	**41,610**

Solteq Software

TEUR	**2021**	**2020**
Services	15,308	11,739
Recurring revenue / SaaS	7,789	6,738
Non-recurring sales	1,656	365
Total	**24,753**	**18,842**
Group total	**69,055**	**60,452**

Contract Balances

TEUR	2021	2020
Trade and other receivables	9,891	10,374
Contract assets	500	240
Contract liabilities	-527	-312

Contract Assets

TEUR	2021	2020
Contract assets on Jan 1	**240**	**800**
Transfers from contract assets to receivables	-172	-600
Increases as a result of changes in the measure of progress	432	40
Contract assets on Dec 31	**500**	**240**

Contract Liabilities

TEUR	2021	2020
Contract liabilities on Jan 1	**-312**	**-616**
Revenue recognized from contract liabilities	272	581
Increases due to cash received, excluding amounts recognized as revenue during the period	-486	-277
Contract liabilities on Dec 31	**-527**	**-312**

The Group expects to meet a significant part of outstanding performance obligations during the reporting period 2022.

2.3 Employee Benefit Expenses

Accounting Policy

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

TEUR	2021	2020
Salaries and wages	33,987	31,379
Pension expenses - defined contribution plan	5,185	4,168
Other personnel expenses	1,141	1,344
Total	**40,312**	**36,891**
Average number of employees over the financial period	**637**	**593**

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

2.4 Other Income and Expenses

Accounting Policy

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

Government Grants

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

Other Income

TEUR	2021	2020
Other income	113	279
Total	**113**	**279**

During the financial year, government grants totaling EUR 43 thousand (43) were recognized.

Other Expenses

TEUR	2021	2020
Telephone and telecommunication costs	626	634
Voluntary personnel expenses	726	781
Rental and other office related expenses	1,400	1,227
Hardware and software expenses	1,561	1,074
Car and travel expenses	241	380
External services	2,798	2,248
Bad debts	15	105
Warranty provisions	12	20
Other expenses	1,306	1,053
Total	**8,685**	**7,523**

Lease Expenses

TEUR	2021	2020
Depreciation of right-of-use assets	2,418	2,596
Interest expense from lease contracts	273	319
Costs from short-term lease contracts	26	19
Costs from low-value asset lease contracts	702	465
Total	**3,419**	**3,399**

Auditor's Fees

TEUR	2021	2020
Auditing	141	122
Certificates and statements	10	6
Tax consulting	16	6
Other services	41	12
Total	**208**	**145**

The non-audit services charged by KPMG Oy Ab to Solteq Group companies in the financial year 2021 were EUR 57 thousand (17).

2.5 Research and Development Costs

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

The income statement includes a total of EUR 176 thousand (209) of research and development costs recognized as expense in 2021.

2.6 Financial Income and Expenses

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

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

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

Financial Income

TEUR	2021	2020
Interest income	12	21
Foreign currency exchange income	342	345
Dividend income	3	4
Total	**357**	**370**

Financial Expenses

TEUR	2021	2020
Interest expenses from financial expenses in amortized costs	1,505	1,652
Interest expense on lease liabilities	273	319
Foreign currency exchange expenses	384	392
Other financial expenses	73	619
Total	**2,235**	**2,982**

2.7 Income Taxes

Accounting Policy

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

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

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

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

TEUR	2021	2020
Tax based on the taxable income for the period	1,223	830
Taxes from previous periods	11	-28
Deferred taxes	-89	-44
Total	**1,145**	**757**

TEUR	2021	2020
Result before taxes	5,245	2,737
Taxes based on domestic tax rate	1,049	547
Difference in local tax rates	10	-4
Non-deductible expenses	26	17
Exempt from taxes		-9
Utilization of tax losses carried forward	-82	
Unrecognized deferred tax assets for unrealized losses	51	165
Revaluation of deferred taxes	-15	12
Other items	95	58
Taxes from previous periods	11	-28
Taxes on the income statement	**1,145**	**757**

Deferred Tax Assets and Liabilities

Changes in Deferred Taxes:

TEUR	1 Jan 2020	Recognized on the income statement	31 Dec 2020	Recognized on the income statement	Acquisition of subsidiaries and businesses	31 Dec 2021
Deferred tax assets:						
Provisions	8	4	12	2		15
Postponed depreciations	4		4	33		38
Other items	39	15	54	40		94
Netted with deferred tax liabilities	-23		-31			-64
Total	**29**	**19**	**40**	**76**	**0**	**82**
Deferred tax liabilities:						
Tax-deductible goodwill					78	78
Allocated intangible liabilities	578	-137	441	-152	90	378
Other items	33	124	157	61		218
Netted with deferred tax assets	-23		-31			-64
Total	**588**	**-13**	**567**	**-92**	**168**	**611**

The deferred taxes have been booked in full with the exception of the deferred tax receivables from the loss-bringing subsidiaries.

At the end of 2021, the Group had EUR 3,180 thousand (3,626) of deductible unused losses and tax credits for which no deferred tax assets have been recognized because the realization of the tax benefit is not likely. These losses and tax credits do not have an expiration period or are more than five years. Unrecognized losses and tax credits relate to the Group's foreign subsidiaries.

2.8 Earnings per Share

Accounting Policy

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

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

	2021	**2020**
Profit for the financial period attributable to equity holders of the Parent Company (TEUR)	4,100	1,980
Weighted average of the number of shares during the financial period (1 000)	19,382	19,307
Undiluted EPS (EUR/share)	0.21	0.10

There were no dilutive factors during the financial year 2021 nor the comparison period 2020.

2.9 Adjustments to Cash Flow from Business Operations

Significant events are listed in the cash flow statement. Significant adjustments to cash flow from business operations are due to depreciation made during the financial period, EUR 5,144 thousand (5,030).

3. TANGIBLE AND INTANGIBLE ASSETS

3.1 Tangible Assets

Accounting Policy

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

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

Machinery and equipment	*2 - 5 years*

Other tangible assets consist of works of art which are not depreciated.

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

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

Tangible Assets

TEUR	Machinery and equipment	Other tangible assets	Prepayments	Total
Acquisition cost 1 Jan 2021	2,566	52	56	2,674
FX rate differences	15			15
Additions	9	3		12
Disposals	-22			-22
Acquisition cost 31 Dec 2021	**2,569**	**55**	**56**	**2,679**
Accumulated depreciation and impairment 1 Jan 2021	2,217	24		2,241
FX rate differences	1			1
Depreciation	210	3		213
Accumulated depreciation on disposals	-19			-19
Accumulated depreciation and impairment 31 Dec 2021	**2,408**	**27**		**2,435**
Book value 1 Jan 2021	349	28	56	433
Book value 31 Dec 2021	161	28	56	244
Acquisition cost 1 Jan 2020	2,575	49	56	2,680
FX rate differences	1	0		2
Additions	37	3		39
Disposals	-46			-46
Acquisition cost 31 Dec 2020	**2,566**	**52**	**56**	**2,674**
Accumulated depreciation and impairment 1 Jan 2020	2,003	24		2,027
Depreciation	245			245
Accumulated depreciation on disposals	-31			-31
Accumulated depreciation and impairment 31 Dec 2020	**2,217**	**24**		**2,241**
Book value 1 Jan 2020	572	25	56	654
Book value 31 Dec 2020	349	28	56	433

3.2 Right-of-Use Assets

Accounting Policy

IFRS 16 standard requires lessees to recognize the lease agreements in the balance sheet as right-of-use assets and lease liabilities. Solteq is a lessee and mainly leases business premises. Solteq applies the exemption for short-term leases allowed under the IFRS 16 standard as well as the exemption for low value assets on a contractual basis. Solteq is not a lessor at the moment.

According to IFRS 16 standard, the lessee's lease period is the period during which the lease cannot be terminated. Also, a potential extension or termination option should be considered if the use of such option is judged to be reasonably certain. The lease agreements for premises are mainly fixed term. The lease term *for ongoing contracts will be regularly assessed by Solteq's management, and the length of the lease term is based on management's estimate.*

The lessee should value the lease agreement by discounting the future minimum lease payments to the present value at the inception of the contract. The internal interest rate implicit in the lease is not readily available, the future minimum lease payments are discounted using Solteq's incremental borrowing rate. According to the standard, the incremental borrowing rate is defined as the interest that the lessee would have to pay when borrowing for the similar term and with s similar security to obtain an asset of an equivalent value to the right-of-use asset in a similar economic environment. Solteq determines the incremental borrowing rate for leases based on the lease term and the financial environment of the lease.

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

Right-of-Use Assets

TEUR	Premises	Machinery and equipment	Right-of-Use assets total
Acquisition cost 1 Jan 2021	9,357	6,601	15,958
FX rate differences	-16	2	-14
Additions *	531	162	694
Disposals	-104	-152	-257
Acquisition cost 31 Dec 2021	**9,768**	**6,613**	**16,381**
Accumulated depreciation and impairment 1 Jan 2021	3,581	5,444	9,025
Depreciation	1,953	464	2,418
Accumulated depreciation on disposals	-72		-72
Accumulated depreciation and impairment 31 Dec 2021	**5,463**	**5,909**	**11,371**
Book value 1 Jan 2021	5,776	1,157	6,933
Book value 31 Dec 2021	4,305	705	5,010
Acquisition cost 1 Jan 2020	7,114	6,613	13,727
FX rate differences	-7	1	-6
Additions *	2,256	154	2,410
Disposals	-6	-166	-172
Acquisition cost 31 Dec 2020	**9,357**	**6,601**	**15,958**
Accumulated depreciation and impairment 1 Jan 2020	1,661	4,768	6,429
Depreciation	1,920	676	2,596
Accumulated depreciation and impairment 31 Dec 2020	**3,581**	**5,444**	**9,025**
Book value 1 Jan 2020	5,453	1,845	7,298
Book value 31 Dec 2020	5,776	1,157	6,933

*Including changes to lease contracts.

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

TEUR	2021	2020
Within a year	801	638
More than one year	841	774
Total	**1,642**	**1,412**

3.3 Intangible Assets

Accounting Policy

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

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

Government Grants

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

Goodwill

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

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

Impairments of the Tangible and Intangible Assets

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

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

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

Impairment Test

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

TEUR	Payments in advance and uncompleted actions	Goodwill	Development costs	Intangible rights	Other intangible assets	Total
Acquisition cost 1 Jan 2021	3,805	41,148	7,708	11,953	846	65,460
Acquisition of subsidiary		3,399		448		3,847
FX rate differences		-23				-23
Additions	2,807			72		2,879
Transfers between items	-1,925		1,925			0
Acquisition cost 31 Dec 2021	**4,687**	**44,524**	**9,634**	**12,473**	**846**	**72,164**
Accumulated amortization and impairment 1 Jan 2021		2,199	3,419	8,770	846	15,234
Amortization			1,372	1,141		2,513
Accumulated amortization and impairment 31 Dec 2021		**2,199**	**4,791**	**9,911**	**846**	**17,747**
Book value 1 Jan 2021	3,805	38,949	4,289	3,183	0	50,226
Book value 31 Dec 2021	4,687	42,325	4,843	2,562	0	54,416
Acquisition cost 1 Jan 2020	3,808	41,039	4,677	12,042	846	62,412
FX rate differences		109				109
Additions	3,059			294		3,353
Disposals			-31	-383		-414
Transfers between items	-3,062		3,062			0
Acquisition cost 31 Dec 2020	**3,805**	**41,148**	**7,708**	**11,953**	**846**	**65,460**
Accumulated amortizations and impairment 1 Jan 2020		2,199	2,476	7,899	846	13,420
Amortization			942	1,099		2,041
Accumulated amortization on disposals				-228		-228
Accumulated amortization and impairment 31 Dec 2020		**2,199**	**3,419**	**8,770**	**846**	**15,234**
Book value 1 Jan 2020	3,808	38,840	2,200	4,143	0	48,991
Book value 31 Dec 2020	3,805	38,949	4,289	3,183	0	50,226

In the financial year 2021, a total of EUR 563 thousand (0) of government grants related to the acquisition of intangible assets were received.

Impairment

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

The book value of the goodwill in the Group on December 31, 2021, was EUR 42,325 thousand (38,949). At the end of the financial period, there were investments in progress in development projects of a value of EUR 4,687 thousand (3,805).

Impairment tests have been carried out at the cash-generating unit level. The recoverable amount has been determined by means of the value in use. The determined anticipated cash flows are based on the operating profit budget for 2022 and operating profit forecasts for the subsequent four years.

The discount rate of 8.4 percent used in the calculations is the weighted average cost of capital after taxes (equals 10.5 percent before taxes).

Based on testing performed in 2021, no need was found for recognizing impairment losses: a clear margin was left for each tested unit. No impairment losses were recognized in 2021 related to the goodwill of the Group, merger losses of the Parent Company or development costs.

Goodwill of Tested Units that Generate Cash Flow

TEUR	**2021**	**2020**
Solteq Digital	28,562	28,603
Solteq Software	13,762	10,345
Total	**42,325**	**38,949**

Development costs in progress have been tested with use value calculations. The expected return has been discounted to present value. The interest rate used in the calculations is 8.4 percent after tax. Based on the calculations, there is no need for write-down in the financial year.

Sensitivity Analysis

A summary of unit-specific sensitivities is below:

- In Solteq Software segment, there will be need for write-downs, if the operating profit decreases by 14.9 percentage units or the discount rate increases by 11.7 percentage units.
- In Solteq Digital segment, there will be need for write-downs, if the operating profit decreases by 13.2 percentage units or the discount rate increases by 15.5 percentage units.

3.4 Depreciation, Amortization, and Impairment

TEUR	2021	2020
Depreciations by asset group		
Intangible assets		
Development costs	1,372	942
Intangible rights	1,141	1,099
Total	**2,513**	**2,041**
Tangible assets		
Machinery and equipment	213	245
Right of use asset depreciation	2,418	2,596
Total	**2,632**	**2,841**
Impairments*	**0**	**148**
Total depreciations and impairments	**5,144**	**5,030**

* Mainly related to a disabled license

4. OPERATIONAL ASSETS AND LIABILITIES

4.1 Trade and Other Receivables

TEUR	2021	2020
Trade receivables	9,891	10,374
Contract assets	500	240
Accrued income	1,333	949
Other receivables	96	95
Total	**11,820**	**11,658**

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

The Aging of Accounts Receivable and Items Recorded as Impairment Losses

TEUR	2021	Impairment losses	Net 2021	Probability of losses	Presumed losses	2020	Impairment losses	Net 2020	Probability of losses	Presumed losses
Not due	8,637		8,637			8,590		8,590		
Due	1,769	-15	1,754		54	2,081	-55	2,026		4
Under 30 days	1,295		1,295			1,333		1,333		
31-60 days	260		260			423		423		
61-90 days	38		38			223		223		
More than 90 days	177	-15	161	33.8	54	102	-55	47	9.5	4
Total	**10,406**	**-15**	**10,390**		**54**	**10,670**	**-55**	**10,616**		**4**

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

4.2 Inventories

TEUR	2021	2020
Finished goods	207	50
Work in progress		24
Total	**207**	**74**

4.3 Trade and Other Payables

TEUR	2021	2020
Trade payables	5,041	4,671
Accruals and deferred income	7,510	6,022
Other liabilities	5,043	5,480
Total	**17,595**	**16,173**

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

4.4 Provisions

Accounting Policy

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

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

TEUR	Warranty provisions	Total
31 Dec 2020	**61**	**61**
Additional provisions	12	12
31 Dec 2021	**73**	**73**

Warranty Provisions

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

5. CAPITAL STRUCTURE AND FINANCIAL ITEMS

5.1 Financial Risk Management and Capital Management

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

Credit Risk

The Company's operating style defines the customers' and investment transactions' creditworthiness demands and investment principles. The Company does not have any significant credit risk concentrations in its receivables, because it has a wide customer base, and it gives credit only to companies who have an unblemished credit rating. During the financial period, the effect of credit losses has not been significant. The Company's credit risk's maximum amount is the carrying value of financial assets as of December 31, 2021.

Liquidity Risk

The Company monitors and estimates continuously the amount of funds needed to run the business operations, so that the Group will, at all times, retain enough liquid assets to fund the operation and repay debts that fall due. The availability of funding and its flexibility is ensured by unused credit limits and by using a number of different banks and financing methods in the procurement of funding. The Company has a standby credit limit of EUR 4,000 thousand and a bank account credit limit of EUR 2,000 thousand which were unused at the end of the financial year.

In 2020 the Company issued a new bond with a nominal value of EUR 23,000 thousand and redeemed a bond that would have matured on July 1, 2021. The new bond will mature on October 1, 2024.

Interest Rate Risk

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

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

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

Currency Rate Risk

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

Capital Management

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

The financial covenants concerning the Company's bond (EUR 23,000 thousand December 31, 2020) and the account limits and liquidity limits (EUR 6,000 thousand December 31, 2020) are tied to the terms of the bond, which are monitored regularly. The conditions of the bond covenants have been fulfilled during the financial year. The bond will mature on October 1, 2024.

The terms and conditions of the Bond contain financial and other covenants as well as the prerequisites for early maturity and repurchase. The financial covenants concerning the distribution of funds and incurring financial indebtedness other than permitted in the terms of the Bond (Incurrence Covenant) require that at any agreed review date, the Equity Ratio exceeds 27.5 percent, the Interest Coverage Ratio (EBITDA / net interest cost) exceeds 3.00:1 and that the Group's Net Interest Bearing Debt to EBITDA ratio does not exceed 4:1.

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

5.2 Financial Assets and Liabilities

Accounting Policy

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

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

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

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

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

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

Determination of Fair Value

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

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

TEUR	2021 Book value	2021 Fair value	2020 Book value	2020 Fair value
Financial liabilities at amortized cost				
Non-current				
Bond	22,755	22,755	22,676	22,676
Loans from financial institutions	1,463	1,463	1,463	1,463
Lease liabilities	3,330	3,330	4,830	4,830
Total	**27,548**	**27,548**	**28,969**	**28,969**
Current				
Lease liabilities	1,976	1,976	2,402	2,402
Total	**1,976**	**1,976**	**2,402**	**2,402**

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

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

Cash Flow Notes: Non-Cash Flow Related Changes

TEUR	31 Dec 2020	Cash flows	New financial lease contracts	*)Other changes	31 Dec 2021
Non-current liabilities	24,138			79	24,217
Lease liabilities	7,233	-2,415	694	-205	5,307
Total financing liabilities	**31,371**	**-2,415**	**694**	**-125**	**29,524**

*) The cumulative effective interests during the financial period, which are valuated to the acquisition costs.

Maturity of Financial Leases:

TEUR	Book value	Contractual cash flows	1-12 months	13-24 months	25-36 months	Later
Financial liabilities, 31 Dec 2021						
Bond	22,755	27,149	1,383	1,383	24,383	
Loans from financial institutions	1,463	1,537	12	95	414	1,017
Lease liabilities	5,307	5,407	2,171	1,633	1,352	251
Trade payables	5,041	5,041	5,041			
Financial liabilities total	**34,565**	**39,134**	**8,607**	**3,111**	**26,149**	**1,267**
Financial liabilities, 31 Dec 2020						
Bond	22,676	28,532	1,383	1,383	1,383	24,383
Loans from financial institutions	1,463	1,537	12	15	95	1,416
Lease liabilities	7,233	7,485	2,658	1,995	1,516	1,317
Trade payables	4,671	4,671	4,671			
Financial liabilities total	**36,042**	**42,225**	**8,724**	**3,392**	**2,993**	**27,116**

In 2021, the average interest rate of the loans was 6.0 percent (6.0). All financial liabilities are denominated in euros.

On July 1, 2015, Solteq issued an unsecured bond with a nominal value of EUR 27.0 million. The bond carried a fixed annual interest of 6.0 percent, and its maturity was five years. To reduce the Company's interest costs, Solteq repurchased and cancelled the share of the above-mentioned bond with a nominal value of EUR 2.5 million during the financial year 2016. The Company's bond liability after the transaction was EUR 24.5 million.

The Company began a written procedure on April 21, 2020, to change the terms of the above-mentioned bond with a nominal value of EUR 27.0 million, so that the bond's original maturity date of July 1, 2020, would be extended by 12 months owing to the COVID-19 pandemic and the financial market situation. Changing the terms of the bond in the written procedure was accepted on May 18, 2020. The new maturity date was set to July 1, 2021.

At the beginning of the last quarter of the previous financial year, Solteq issued a new unsecured senior fixed interest rate bond with a nominal value of EUR 23.0 million and voluntarily redeemed a bond that would have matured on July 1, 2021. The new bond will mature on October 1, 2024. Annual interest of 6.0 percent will be paid on it, and it can be redeemed before the final maturity date. With the new bond, the Company secured its long-term financing and going concern.

5.3 Other Investments

TEUR	2021	2020
Beginning of financial period	**441**	**481**
Change	-3	-40
End of financial period	**438**	**441**

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

5.4 Cash and Cash Equivalents

Accounting Policy

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

TEUR	2021	2020
Cash and cash equivalents	3,588	4,877
Total	**3,588**	**4,877**

5.5 Equity

Accounting Policy

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

Below is the reconciliation of the number of shares:

TEUR	Number of shares (1 000)	Share capital	Share premium reserve	Invested unrestricted equity reserve	Total
Beginning of financial period	**19,307**	**1,009**	**75**	**12,910**	**13,994**
Share issue in business acquisition	90			350	350
End of financial period	**19,397**	**1,009**	**75**	**13,260**	**14,344**

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

The reserves included in equity are as follows:

Share Premium Reserve

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

Invested Unrestricted Equity Reserve

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

Reserve for Own Shares

Reserve for own shares consists of acquisition cost of own shares acquired by the Group. There were no own shares in Solteq Plc's possession at the end of the financial year 2021 nor 2020.

Dividends

At the end of the financial year 2021, the distributable equity of the Group's Parent Company is EUR 19,184,240.16.

The Board of Directors proposes to the Annual General Meeting that no dividend be distributed based on the balance sheet to be adopted for the financial year 2021 directly by a resolution of the General Meeting but that the General Meeting authorize the Board of Directors to decide, at its sole discretion, on the distribution of a maximum of EUR 0.10 per share from retained earnings. If the conditions for dividend distribution are met, the Board of Directors is entitled, based on the authorization, to decide on the amount of the dividend within the limit of the above maximum amount, the record date of the dividend payment, the dividend payment date, and other required measures. The Company will make a separate announcement on the possible decision by the Board of Directors to distribute dividend and announce the applicable dividend record date and dividend payment date at the same time.

The dividend to be distributed based on the resolution of the Board of Directors will be paid to shareholders who are, on the record date of the dividend payment, recorded in the shareholders' register of the Company held by Euroclear Finland Oy.

The authorization will be valid until September 30, 2022 (including September 30, 2022).

5.6 Conditional Debts and Liabilities

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

TEUR	**2021**	**2020**
Collateral given on our own behalf		
Business mortgages	10,000	10,000
Total	**10,000**	**10,000**

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

6. OTHER NOTES

6.1 Consolidation Principles and Group Companies

Accounting Policy
Consolidated financial statements include Solteq Plc and its subsidiaries.

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

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

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

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

Group's Parent Company and subsidiary relations December 31, 2021, are as follows:

Company	Domicile	Share of ownership (%)	Share of votes (%)
Solteq Plc			
Aponsa AB	Sweden	100 %	100 %
Solteq Sweden AB	Sweden	100 %	100 %
Solteq Poland Sp. z.o.o.	Poland	100 %	100 %
Solteq Digital UK Ltd	Great Britain	100 %	100 %
Solteq Denmark A/S	Denmark	100 %	100 %
Solteq Norway AS	Norway	100 %	100 %
Theilgaard Mortensen Sverige AB	Sweden	100 %	100 %
Forsyning 360 ApS	Denmark	100 %	100 %

6.2 Related Party Transactions

Group's related parties consist of the Parent Company and its subsidiaries. The related parties also include the key persons, i.e., members of the Board of Directors and Executive Team, including the CEO and his family members.

The Following Related Party Transactions Took Place:

TEUR	2021	2020
Purchases		3
Total	**0**	**3**

Transactions with the insiders have been done at market price and are part of the Company's normal software service business. At the closure of accounts, there are no significant receivables from or payables to related parties.

Management Employee Benefits

TEUR	2021	2020
Salaries and other short-term employment benefits	1,106	1,197
Total	**1,106**	**1,197**

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

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

TEUR	2021	2020
CEO Olli Väätäinen	313	290
Board members		
Pietilä Markku, Chairman of the Board	45	46
Aktan Aarne	26	28
Kopra Lotta	26	28
Porkka Panu	25	24
Segerståhl Katarina	26	25
Uotila Mika until 17 May 2021	12	25

The CEO's accrual-based pension costs amount to EUR 78 thousand. The CEO's pension plan complies with the employment pension legislation. The CEO's notice period is four months, and the agreement does not include any separate severance payments.

Solteq Plc's members of the Board of Directors and CEO owned directly or through controlled companies 328 thousand (592) shares at the end of 2021.

6.3 Business Combinations

During the financial year 2021, two business acquisitions were made. There were no acquisitions during the financial year 2020.

Solteq Plc acquired Partiture Oy's professional services business, specializing in utilities sector. The agreement was effective as of March 1, 2021. The utilities sector is one of the Solteq's key drivers for growth in the Nordic market. As a result of the business transfer agreement, 16 experts transferred to Solteq. The debt-free purchase price of the transfer was EUR 2,350 thousand.
EUR 350 thousand of the business acquisition purchase price was paid for with new Solteq shares measured at fair value, based on the authorization given to the Board, by the Annual General Meeting on June 10, 2020, and the rest of the purchase price with existing cash funds. EUR 1,000 thousand of the purchase price was paid at the time of signing the agreement, and the rest was paid on December 15, 2021.

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

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

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

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

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

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

6.4 Impact of the COVID-19 Pandemic on Financial Reporting

The Company is continuously monitoring the COVID-19 pandemic situation, assessing its impact on the Company’s operations, strategy and realization of targets, performance, financial position, and cash flows. Based on information currently available, the COVID-19 pandemic is not expected to have any long-term impact on the Company’s financial performance.

The impairment tests of goodwill and capitalized development costs were performed during the last quarter of the financial year 2021. No need for impairment was identified, but a clear margin was left for each tested unit and project. No impairment losses were recognized in 2021 related to the goodwill of the Group, merger losses of the Parent Company or development costs. Impairment tests have been carried out at the cash-generating unit level. The recoverable amount has been determined by means of the value in use. The determined anticipated cash flows are based on the operating profit budget for 2022 and operating profit forecasts for the subsequent four years. The pandemic has had no effect on the valuation of the assets.

The Company has not historically incurred material credit losses, so the probability of such losses is low, and provisions for them have been small. Considering the situation, the Company prepared for any increased credit losses due to the COVID-19 pandemic in the first quarter of last year by increasing the credit loss provisions in the balance sheet. No significant changes have yet been observed in customers’ payment behavior. The Company is following the situation closely.

The Company has also assessed the valuation of its other asset items and discovered that the pandemic has had no effect on their valuation so far.

Following the financial arrangements carried out at the end of previous fiscal year, the Company has a EUR 23.0 million bond that matures on October 1, 2024. The Company also has a EUR 4,000 thousand standby credit limit and a EUR 2,000 thousand bank account credit limit, both unused at the end of the review period. The Company’s operations are on a solid foundation, and it is the management’s view that the Company has the capacity to overcome the COVID-19 pandemic’s negative impacts on its business operations.

6.5 Events After the Balance Sheet Date

On January 3, 2022, Solteq Plc signed an agreement to purchase the entire share capital of the energy software company Enerity Solutions Oy. Through the acquisition, Solteq is expanding its software offering in the utilities sector, which is one of the Company’s key growth drivers in the Nordic market. The deal also further increases the Company’s expertise in the changing operating environment of the energy sector. Enerity Solutions specializes in software solutions for electricity trading and grid profitability and risk management. The debt-free purchase price of the acquisition is up to EUR 4,500 thousand. In the acquisition, 17 employees joined the Solteq Group.

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

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

Parent Company Financial Statements

Parent Company's Statement of Comprehensive Income

TEUR	Notes	1 Jan 2021 - 31 Dec 2021	1 Jan 2020 - 31 Dec 2020
Revenue	1.1	**58,755**	**51,832**
Other income	1.3	638	629
Materials and services		-8,936	-6,455
Employee benefit expenses	1.2	-32,852	-29,719
Other expenses	1.3, 1.4	-7,247	-6,393
Depreciations and impairments	2.4	-4,322	-4,243
Operating profit		**6,038**	**5,652**
Financial income	1.5	41	46
Financial expenses	1.5	-1,742	-2,484
Profit before taxes		**4,337**	**3,214**
Income taxes	1.6	-945	-665
Profit for the financial period		**3,391**	**2,549**
Total comprehensive income		**3,391**	**2,549**

Parent Company's Statement of Financial Position

TEUR	Notes	31 Dec 2021	31 Dec 2020
Assets			
Non-current assets			
Tangible assets	2.1	216	406
Right-of-use assets	2.2	3,419	4,932
Intangible assets	2.3		
Goodwill		1,991	
Other intangible assets		45,323	44,634
Other investments	4.3	453	455
Shares in subsidiaries	5.1	8,063	7,915
Trade and other receivables	3.1	983	255
Non-current assets total		**60,448**	**58,597**
Current assets			
Inventories	3.2	207	46
Trade and other receivables	3.1	9,877	10,161
Cash and cash equivalents	4.4	1,403	2,681
Current assets total		**11,487**	**12,888**
Total assets		**71,935**	**71,485**
Equity and liabilities			
Equity attributable to equity holders of the Parent Company			
Share capital	4.5	1,009	1,009
Share premium reserve	4.5	75	75
Distributable equity reserve	4.5	14,374	14,024
Retained earnings	4.5	13,711	13,229
Total equity		**29,170**	**28,338**
Non-current liabilities			
Deferred tax liabilities	1.6	389	406
Financial liabilities	4.2	24,217	24,138
Lease liabilities	4.2	2,129	3,222
Non-current liabilities total		**26,735**	**27,767**
Current liabilities			
Trade and other payables	3.3	14,530	13,456
Provisions	3.4	73	61
Lease liabilities	4.2	1,426	1,863
Current liabilities total		**16,030**	**15,380**
Total liabilities		**42,765**	**43,147**
Total equity and liabilities		**71,935**	**71,485**

Parent Company's Cash Flow Statement

TEUR	Notes	1 Jan 2021 - 31 Dec 2021	1 Jan 2020 - 31 Dec 2020
Cash flow from operating activities			
Profit for the financial period		3,391	2,549
Adjustments for operating profit	1.8	5,657	6,391
Changes in working capital		787	-912
Interests paid		-1,655	-3,099
Interests received		38	36
Net cash flow from operating activities		**8,219**	**4,965**
Cash flow from investing activities			
Business acquisitions		-2,000	
Disposal of other shares and holdings			38
Divested businesses			4,071
Investments in tangible and intangible assets		-2,715	-3,145
Net cash used in investing activities		**-4,715**	**964**
Cash flow from financing activities			
Long-term loans, increase			23,262
Short-term loans, decrease			-26,500
Payment of lease liabilities	4.2	-1,872	-2,016
Dividend payment		-2,909	
Net cash used in financing activities		**-4,782**	**-5,255**
Changes in cash and cash equivalents		**-1,278**	**674**
Cash and cash equivalents at the beginning of period		2,681	2,007
Cash and cash equivalents at the end of period	4.4	**1,403**	**2,681**

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

TEUR	2021	2020
Cash and cash equivalents	1,403	2,681
Total	**1,403**	**2,681**

Parent Company's Statement of Changes in Equity

TEUR	Share capital	Share premium account	Invested unrestricted equity reserve	Retained earnings	Total
Equity 1 Jan 2020	**1,009**	**75**	**14,024**	**10,680**	**25,789**
Total comprehensive income				**2,549**	**2,549**
Transactions with owners					
Returned dividends				0	0
Transactions with owners total	**0**	**0**	**0**	**0**	**0**
Equity 31 Dec 2020	**1,009**	**75**	**14,024**	**13,229**	**28,338**
Equity 1 Jan 2021	**1,009**	**75**	**14,024**	**13,229**	**28,338**
Total comprehensive income				**3,391**	**3,391**
Transactions with owners					
Returned dividends				0	0
Dividends paid				-2,909	-2,909
Share issue			350		350
Transactions with owners total	**0**	**0**	**350**	**-2,909**	**-2,559**
Equity 31 Dec 2021	**1,009**	**75**	**14,374**	**13,711**	**29,170**

Notes to Solteq Plc Financial Statements

Accounting Principles for Solteq Plc

Solteq Plc's financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) complying with the IAS and IFRS standards as well as the SIC and IFRIC interpretations valid as at December 31, 2021. International Financial Reporting Standards mean the standards and their interpretations that have been approved for adoption in the EU in accordance with the procedure No. 1606/2002 enacted in the Finnish Accounting Act and EU (EC) regulations laid down by the Act. The notes to the financial statements are also in accordance with the requirements of the Finnish Accounting and Companies legislation.

The accounting principles for Solteq Plc and Solteq Group are the same, unless stated otherwise.

1. FINANCIAL RESULT

1.1 Revenue from Contracts with Customers

TEUR	2021	2020
Services	48,433	43,889
Recurring revenue / SaaS	6,140	5,295
Software and hardware sales	4,182	2,649
Total	**58,755**	**51,832**

Contract Balances

TEUR	2021	2020
Trade and other receivables	8,376	9,274
Contract assets	500	240
Contract liabilities	-517	-203

Contract Assets

TEUR	2021	2020
Contract assets on Jan 1	**240**	**800**
Transfers from contract assets to receivables	-172	-600
Increases as a result of changes in the measure of progress	432	40
Contract assets on Dec 31	**500**	**240**

Contract Liabilities

TEUR	2021	2020
Contract liabilities on Jan 1	**-203**	**-352**
Revenue recognized from contract liabilities	163	317
Increases due to cash received, excluding amounts recognized as revenue during the period	-476	-168
Contract liabilities on Dec 31	**-517**	**-203**

The Company expects to meet a significant part of outstanding performance obligations during the reporting period 2022.

1.2 Employee Benefit Expenses

TEUR	2021	2020
Salaries and wages	27,494	25,264
Pension expenses - defined contribution plan	4,428	3,673
Other personnel expenses	930	781
Total	**32,852**	**29,719**
Average number of employees over the financial period	**487**	**460**

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

1.3 Other Income and Expenses

TEUR	2021	2020
Other income	120	163
From Group companies, compensation for administration costs	517	467
Total	**638**	**629**

During the financial year, government grants totaling EUR 55 thousand (36) were recognized.

TEUR	2021	2020
Telephone and telecommunication costs	549	529
Voluntary personnel expenses	479	544
Rental and other office related expenses	1,180	946
Hardware and software expenses	1,440	993
Car and travel expenses	169	298
External services	2,579	2,202
Bad debts	2	105
Warranty provisions	12	20
Other expenses	836	756
Total	**7,247**	**6,393**

Lease Expenses

TEUR	2021	2020
Depreciation of right-of-use assets	1,856	2,032
Interest expense from lease contracts	169	214
Costs from short-term lease contracts	26	19
Costs from low-value asset lease contracts	624	381
Total	**2,675**	**2,645**

Auditor's Fees

TEUR	2021	2020
Auditing	97	84
Certificates and statements	10	6
Tax consulting	16	6
Other services	41	11
Total	**164**	**106**

The non-audit services charged by KPMG Oy Ab from Solteq Plc in the financial year 2021 were EUR 57 thousand (17).

1.4 Research and Development Costs

The income statement includes a total of EUR 176 thousand (209) of research and development costs recognized as expense in 2021.

1.5 Financial Income and Expenses

Financial Income

TEUR	2021	2020
Interest income	35	33
Foreign currency exchange income	2	10
Dividend income	3	4
Total	**41**	**46**

Financial Expenses

TEUR	2021	2020
Interest expenses from financial expenses in amortized costs	1,505	1,652
Interest expense on lease liabilities	169	214
Foreign currency exchange expenses	7	13
Other financial expenses	61	606
Total	**1,742**	**2,484**

1.6 Income Taxes

TEUR	2021	2020
Tax based on the taxable income for the period	1,041	736
Taxes from previous periods	11	2
Deferred taxes	-107	-72
Total	**945**	**665**

TEUR	2021	2020
Result before taxes	4,337	3,214
Taxes based on domestic tax rate	867	643
Non-deductible expenses	18	5
Revaluation of deferred taxes	-15	12
Other items	64	4
Taxes from previous periods	11	2
Taxes on the income statement	**945**	**665**

Deferred Tax Assets and Liabilities

Changes in deferred taxes:

TEUR	1 Jan 2020	Recognized on the income statement	31 Dec 2020	Recognized on the income statement	Acquisition of subsidiaries and businesses	31 Dec 2021
Deferred tax assets:						
Provisions	8	4	12	2		15
Postponed depreciations	4		4	33		38
Other items	11	3	14	-2		12
Netted with deferred tax liabilities	-23		-31			-64
Total	**0**	**8**	**0**	**34**	**0**	**0**
Deferred tax liabilities:						
Tax-deductible goodwill					78	78
Allocated intangible liabilities	487	-122	365	-137	90	317
Other items	15	57	72	-14		58
Netted with deferred tax assets	-23		-31			-64
Total	**479**	**-65**	**406**	**-151**	**168**	**389**

The deferred taxes have been booked in full.

1.7 Earnings per Share

TEUR	2021	2020
Profit for the financial period attributable to equity holders of the Parent Company (TEUR)	3,391	2,549
Weighted average of the number of shares during the financial period (1 000)	19,382	19,307
Undiluted EPS (EUR/share)	0.17	0.13

There were no dilutive factors during the financial year 2021 nor the comparison period 2020.

1.8 Adjustments to Cash Flow from Business Operations

Significant events are listed in the cash flow statement. Significant adjustments to cash flow from business operations are due to depreciation made during the financial period, EUR 4,322 thousand (4,243).

2. TANGIBLE AND INTANGIBLE ASSETS

2.1 Tangible Assets

TEUR	Machinery and equipment	Other tangible assets	Prepayments	Total
Acquisition cost 1 Jan 2021	2,473	21	56	2,550
Acquisition cost 31 Dec 2021	**2,473**	**21**	**56**	**2,550**
Accumulated depreciation and impairment 1 Jan 2021	2,144			2,144
Depreciation	191			191
Accumulated depreciation and impairment 31 Dec 2021	**2,335**			**2,335**
Book value 1 Jan 2021	329	21	56	406
Book value 31 Dec 2021	138	21	56	216
Acquisition cost 1 Jan 2020	2,478	21	56	2,555
Additions	33			33
Disposals	-37			-37
Acquisition cost 31 Dec 2020	**2,473**	**21**	**56**	**2,550**
Accumulated depreciation and impairment 1 Jan 2020	1,953			1,953
Depreciation	222			222
Accumulated depreciation on disposals	-31			-31
Accumulated depreciation and impairment 31 Dec 2020	**2,144**			**2,144**
Book value 1 Jan 2020	525	21	56	602
Book value 31 Dec 2020	329	21	56	406

2.2 Right-of-Use Assets

TEUR	Premises	Machinery and equipment	Right-of-Use assets total
Acquisition cost 1 Jan 2021	6,453	6,485	12,938
Additions *	333	162	495
Disposals		-152	-152
Acquisition cost 31 Dec 2021	**6,786**	**6,495**	**13,281**
Accumulated depreciation and impairment 1 Jan 2021	2,648	5,358	8,006
Depreciation	1,424	432	1,856
Accumulated depreciation and impairment 31 Dec 2021	**4,072**	**5,790**	**9,862**
Book value 1 Jan 2021	3,805	1,126	4,932
Book value 31 Dec 2021	2,714	705	3,419
Acquisition cost 1 Jan 2020	6,087	6,501	12,588
Additions *	366	150	516
Disposals		-166	-166
Acquisition cost 31 Dec 2020	**6,453**	**6,485**	**12,938**
Accumulated depreciation and impairment 1 Jan 2020	1,249	4,725	5,974
Depreciation	1,399	633	2,032
Accumulated depreciation and impairment 31 Dec 2020	**2,648**	**5,358**	**8,006**
Book value 1 Jan 2020	4,838	1,776	6,614
Book value 31 Dec 2020	3,805	1,126	4,932

* Includes changes to lease contracts

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

TEUR	2021	2020
Within a year	742	545
More than one year	785	709
Total	**1,527**	**1,254**

2.3 Intangible Assets

Accounting Policy

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

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

TEUR	Payments in advance and uncompleted actions	Goodwill	Development costs	Intangible rights	Other intangible assets	Total
Acquisition cost 1 Jan 2021	3,608	2,365	7,152	44,183	401	57,709
Merger of the subsidiary		1,991		448		2,440
Additions	2,444			72		2,516
Transfers between items	-1,746		1,746			
Acquisition cost 31 Dec 2021	**4,307**	**4,356**	**8,898**	**44,703**	**401**	**62,665**
Accumulated amortization and impairment 1 Jan 2021		2,365	3,099	7,210	401	13,075
Amortization			1,204	1,071		2,275
Accumulated amortization and impairment 31 Dec 2021		**2,365**	**4,303**	**8,281**	**401**	**15,350**
Book value 1 Jan 2021	3,608		4,053	36,973		44,634
Book value 31 Dec 2021	4,307	1,991	4,595	36,422		47,315
Acquisition cost 1 Jan 2020	3,767	2,365	4,247	44,218	401	54,998
Additions	2,745			335		3,080
Disposals				-370		-370
Transfers between items	-2,905		2,905			
Acquisition cost 31 Dec 2020	**3,608**	**2,365**	**7,152**	**44,183**	**401**	**57,709**
Accumulated amortizations and impairment 1 Jan 2020		2,365	2,287	6,408	401	11,461
Amortization			812	1,029		1,841
Accumulated amortization on disposals				-228		-228
Accumulated amortization and impairment 31 Dec 2020		**2,365**	**3,099**	**7,210**	**401**	**13,075**
Book value 1 Jan 2020	3,767	0	1,961	37,809	0	43,537
Book value 31 Dec 2020	3,608	0	4,053	36,973	0	44,634

In the financial year 2021, a total of EUR 563 thousand (0) government grants related to the acquisition of intangible assets were received.

Impairment

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

The book value of the goodwill and merger loss in the Parent Company on December 31, 2021, was EUR 36,128 thousand (34,136). At the end of the financial period, in the Parent Company there were investments in progress in development projects of a value of EUR 4,307 thousand (3,608).

Impairment tests have been carried out at the cash-generating unit level. The recoverable amount has been determined by means of the value in use. The determined anticipated cash flows are based on the operating profit budget for 2022 and operating profit forecasts for the subsequent four years.

The discount rate of 8.4 percent used in the calculations is the weighted average cost of capital after taxes (equals 10.5 percent before taxes).

Based on testing performed in 2021, no need was found for recognizing impairment losses: a clear margin was left for each tested unit. No impairment losses were recognized in 2021 related to the goodwill of the Group, merger losses of the Parent Company or development costs.

Goodwill and Merger Losses of Tested Units that Generate Cash Flow

TEUR	2021	2020
Solteq Digital	24,261	24,261
Solteq Software	11,867	9,875
Total	**36,128**	**34,136**

Development costs in progress have been tested with use value calculations. The expected return has been discounted to present value. The interest rate used in the calculations is 8.4 percent after tax. Based on the calculations, there is no need for write-down in the financial year.

Sensitivity Analysis

A summary of unit-specific sensitivities is below:

- In Solteq Software segment, there will be need for write-downs, if the operating profit decreases by 13.1 percentage units or the discount rate increases by 10.1 percentage units.
- In Solteq Digital segment, there will be need for write-downs, if the operating profit decreases by 12.8 percentage units or the discount rate increases by 14.6 percentage units.

2.4 Depreciation, Amortization, and Impairment

TEUR	2021	2020
Depreciations by asset group		
Intangible assets		
Development costs	1,204	812
Intangible rights	1,071	1,029
Total	**2,275**	**1,841**
Tangible assets		
Machinery and equipment	191	222
Right of use asset depreciation	1,856	2,032
Total	**2,047**	**2,254**
Impairments*	**0**	**148**
Total depreciations and impairments	**4,322**	**4,243**

* Mainly related to a disabled license

3. OPERATIONAL ASSETS AND LIABILITIES

3.1 Trade and Other Receivables

TEUR	2021	2020
Trade receivables	6,727	7,251
Contract assets	500	240
Accrued income	1,021	670
Receivables from Group companies	2,608	2,253
Other receivables	4	1
Total	**10,861**	**10,415**

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

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

TEUR	2021	Impairment losses	Net 2021	Probability of losses	Presumed losses	2020	Impairment losses	Net 2020	Probability of losses	Presumed losses
Not due	7,039		7,039			7,311		7,311		
Due	1,839	-2	1,837		54	2,258	-55	2,203		4
Under 30 days	1,096		1,096			1,072		1,072		
31-60 days	312		312			356		356		
61-90 days	324		324			320		320		
More than 90 days	107	-2	105	51.4	54	510	-55	456	0.9	4
Total	**8,878**	**-2**	**8,876**		**54**	**9,568**	**-55**	**9,514**		**4**

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

3.2 Inventories

TEUR	2021	2020
Finished goods	207	46
Total	**207**	**46**

3.3 Trade and Other Payables

TEUR	2021	2020
Trade payables	4,566	4,099
Accruals and deferred income	6,815	5,737
Other liabilities	2,850	3,009
Liabilities to Group companies	300	611
Total	**14,530**	**13,456**

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

3.4 Provisions

TEUR	Warranty provisions	Total
31 Dec 2020	**61**	**61**
Additional provisions	12	12
31 Dec 2021	**73**	**73**

Warranty Provisions

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

4. CAPITAL STRUCTURE AND FINANCIAL ITEMS

4.1 Financial Risk Management and Capital Management

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

4.2 Financial Assets and Liabilities

TEUR	2021 Book value	2021 Fair value	2020 Book value	2020 Fair value
Financial liabilities at amortized cost				
Non-current				
Bond	22,755	22,755	22,676	22,676
Loans from financial institutions	1,463	1,463	1,463	1,463
Lease liabilities	2,129	2,129	3,222	3,222
Total	**26,346**	**26,346**	**27,361**	**27,361**
Current				
Lease liabilities	1,426	1,426	1,863	1,863
Total	**1,426**	**1,426**	**1,863**	**1,863**

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

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

Cash Flow Notes: Non-Cash Flow Related Changes

TEUR	31 Dec 2020	Cash flows	New financial lease contracts	*)Other changes	31 Dec 2021
Non-current liabilities	24,138			79	24,217
Lease liabilities	5,085	-1,872	495	-153	3,555
Total financing liabilities	**29,223**	**-1,872**	**495**	**-74**	**27,772**

*) The cumulative effective interests during the financial period, which are valuated to the acquisition costs.

Maturity of Financial Leases:

TEUR	Book value	Contractual cash flows	1-12 months	13-24 months	25-36 months	Later
Financial liabilities, 31 Dec 2021						
Bond	22,755	27,149	1,383	1,383	24,383	
Loans from financial institutions	1,463	1,537	12	95	414	1,017
Lease liabilities	3,555	3,498	1,539	1,035	839	85
Trade payables	4,866	4,866	4,866			
Financial liabilities total	**32,638**	**37,050**	**7,800**	**2,513**	**25,636**	**1,102**
Financial liabilities, 31 Dec 2020						
Bond	22,676	28,532	1,383	1,383	1,383	24,383
Loans from financial institutions	1,463	1,537	12	15	95	1,416
Lease liabilities	5,085	5,095	2,016	1,402	971	706
Trade payables	4,710	4,710	4,710			
Financial liabilities total	**33,934**	**39,875**	**8,122**	**2,799**	**2,449**	**26,505**

In 2021, the average interest rate of the loans was 6.0 percent (6.0). All financial liabilities are denominated in euros.

On July 1, 2015, Solteq issued an unsecured bond with a nominal value of EUR 27.0 million. The bond carried a fixed annual interest of 6.0 percent, and its maturity was five years. To reduce the Company's interest costs, Solteq repurchased and cancelled the share of the above-mentioned bond with a nominal value of EUR 2.5 million during the financial year 2016. The Company's bond liability after the transaction was EUR 24.5 million.

The Company began a written procedure on April 21, 2020, to change the terms of the above-mentioned bond with a nominal value of EUR 27.0 million, so that the bond's original maturity date of July 1, 2020 would be extended by 12 months owing to the COVID-19 pandemic and the financial market situation. Changing the terms of the bond in the written procedure was accepted on May 18, 2020. The new maturity date was set to July 1, 2021.

At the beginning of the last quarter of the previous financial year, Solteq issued a new unsecured senior fixed interest rate bond with a nominal value of EUR 23.0 million and voluntarily redeemed a bond that would have matured on July 1, 2021. The new bond will mature on October 1, 2024. Annual interest of 6.0 percent will be paid on it, and it can be redeemed before the final maturity date. With the new bond, the Company secured its long-term financing and going concern.

4.3 Other Investments

TEUR	2021	2020
Beginning of financial period	**455**	**496**
Change	-2	-41
End of financial period	**453**	**455**

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

4.4 Cash and Cash Equivalents

TEUR	2021	2020
Cash and cash equivalents	1,403	2,681
Total	**1,403**	**2,681**

4.5 Equity

TEUR	Number of shares (1 000)	Share capital	Share premium reserve	Invested unrestricted equity reserve	Total
Beginning of financial period	**19,307**	**1,009**	**75**	**14,024**	**15,108**
Share issue in business acquisition	90			350	350
End of financial period	**19,397**	**1,009**	**75**	**14,374**	**15,458**

4.6 Conditional Debts and Liabilities

TEUR	2021	2020
Collateral given on our own behalf		
Business mortgages	10,000	10,000
Total	**10,000**	**10,000**

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

5. OTHER NOTES

5.1 Related Party Transactions

Group's related parties consist of the Parent Company and its subsidiaries. The related parties also include the key persons, i.e., members of the Board of Directors and Executive Team, including the CEO and his family members.

On December 31, 2021, Solteq Plc owned the following subsidiaries:

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

The following related party transactions took place:

TEUR	2021	2020
Purchases		3
Total	**0**	**3**

Transactions with the insiders have been done at market price and are part of the Company's normal software service business. At the closure of accounts, there are no significant receivables from or payables to related parties.

Management Employee Benefits

TEUR	2021	2020
Salaries and other short-term employment benefits	1,106	1,197
Total	**1,106**	**1,197**

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

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

TEUR	2021	2020
CEO Olli Väätäinen	313	290
Board members		
Pietilä Markku, Chairman of the Board	45	46
Aktan Aarne	26	28
Kopra Lotta	26	28
Porkka Panu	25	24
Segerståhl Katarina	26	25
Uotila Mika until 17 May 2021	12	25

The CEO's accrual-based pension costs amount to EUR 78 thousand. The CEO's pension plan complies with the employment pension legislation. The CEO's notice period is four months, and the agreement does not include any separate severance payments.

Solteq Plc's members of the Board of Directors and CEO owned directly or through controlled companies 328 thousand (592) shares at the end of 2021.

5.2 Business Combinations

During the financial year 2021, one acquisition was made. There were no acquisitions during the financial year 2020.

Solteq Plc acquired Partiture Oy's professional services business, specializing in utilities sector. The agreement was effective as of March 1, 2021. The utilities sector is one of the Solteq's key drivers for growth in the Nordic market. As a result of the business transfer agreement, 16 experts transferred to Solteq. The debt-free purchase price of the transfer was EUR 2,350 thousand.

EUR 350 thousand of the business acquisition purchase price was paid for with new Solteq shares measured at fair value, based on the authorization given to the Board, by the Annual General Meeting on June 10, 2020, and the rest of the purchase price with existing cash funds. EUR 1,000 thousand of the purchase price was paid at the time of signing the agreement, and the rest was paid on December 15, 2021.

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

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

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

5.3 Impact of the COVID-19 Pandemic on Financial Reporting

The effects of the COVID-19 pandemic to the financial reporting of the Parent Company are the same as those of the Group. The information as regards the Group are presented in the Group note 6.4.

5.4 Events After the Balance Sheet Date

On January 3, 2022, Solteq Plc signed an agreement to purchase the entire share capital of the energy software company Enerity Solutions Oy. Through the acquisition, Solteq is expanding its software offering in the utilities sector, which is one of the Company's key growth drivers in the Nordic market. The deal also further increases the Company's expertise in the changing operating environment of the energy sector. Enerity Solutions specializes in software solutions for electricity trading and grid profitability and risk management. The debt-free purchase price of the acquisition is up to EUR 4,500 thousand. In the acquisition, 17 employees joined the Solteq Group.

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

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

Proposal for Distribution of Profits and Signatures

The distributable equity of the Parent Company Solteq Plc as at December 31, 2021, is:

The distributable equity		
	31 Dec 2021	**31 Dec 2020**
Invested unrestricted equity reserve	14,374,181.33	14,024,182.47
Result for previous financial periods	10,320,045.98	10,680,448.00
Result for the financial year	3,391,318.56	2,548,935.32
Total non-restricted equity	**28,085,545.87**	**27,253,565.79**
Capitalized development costs	-8,901,305.71	-7,660,837.71
Total distributable funds	**19,184,240.16**	**19,592,728.08**

The Board of Directors proposes to the Annual General Meeting that no dividend be distributed based on the balance sheet to be adopted for the financial year 2021 directly by a resolution of the General Meeting but that the General Meeting authorize the Board of Directors to decide, at its sole discretion, on the distribution of a maximum of EUR 0.10 per share from retained earnings. If the conditions for dividend distribution are met, the Board of Directors is entitled, based on the authorization, to decide on the amount of the dividend within the limit of the above maximum amount, the record date of the dividend payment, the dividend payment date, and other required measures. The Company will make a separate announcement on the possible decision by the Board of Directors to distribute dividend and announce the applicable dividend record date and dividend payment date at the same time.

The dividend to be distributed based on the resolution of the Board of Directors will be paid to shareholders who are, on the record date of the dividend payment, recorded in the shareholders' register of the Company held by Euroclear Finland Oy.

The authorization will be valid until September 30, 2022 (including September 30, 2022).

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

Vantaa, 16 February 2022

Markku Pietilä

Chairman of the Board

Aarne Aktan

Board Member

Lotta Kopra

Board Member

Panu Porkka

Board Member

Katarina Segerståhl

Board Member

Kari Lehtosalo

Interim CEO

Auditor's note

Our auditors' report has been issued today.
Helsinki, 16 February 2022
KPMG Oy Ab

Petri Sammalisto

Authorized Public Accountant

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

Auditor's Report

To the Annual General Meeting of Solteq Plc

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Solteq Plc (business identity code 0490484-0) for the year ended 31 December 2021. The financial statements comprise both the consolidated and the parent company's statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies.

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

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

Basis for Opinion

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

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

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

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

Materiality

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

Key Audit Matters

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

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

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

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

- The consolidated revenue comprise different revenue flows based on different contract types, such as services, software license sales and maintenance as well as projects.
- Revenue and costs related to projects are recognized based on percentage of completion method once the progress towards complete satisfaction of a performance obligation can be measured appropriately. This involves management judgment and estimates especially on forecasted total costs of the project and resources needed.
- Due to the analyses of different contract terms and conditions associated with the choice of a revenue recognition method as well as management judgement involved, revenue recognition is considered a key audit matter.

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

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

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

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

Auditor's Responsibilities for the Audit of Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Other Reporting Requirements

Information on our audit engagement

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

Other Information

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

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

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

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

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

Helsinki, 16 February 2022
KPMG OY AB
PETRI SAMMALISTO

Authorised Public Accountant, KHT

Statement of Non-Financial Information

Corporate Responsibility at Solteq

Solteq is a Nordic provider of IT services and software solutions specializing in the digitalization of business and industry-specific software. The key sectors in which the Company has long term experience include retail, manufacturing, utilities, and services.

Solteq's goal is to promote digitalization responsibly. The Company operates in Finland, Sweden, Norway, Denmark, Poland, and the UK employing over 650 professionals. Responsibly produced solutions and operating with a high degree of ethics as a service provider, employer, partner, and corporate citizen are a precondition for successful business and strong stakeholder relations.

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

Material Aspects of Responsibility

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

Solteq's corporate responsibility is focused on four aspects:

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

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

Stakeholders

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

Responsibility in Customer Relationships

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

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

Risk Management System

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

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

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

Management of Corporate Responsibility

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

Social Responsibility

Personnel and Human Rights

Highly competent, motivated, and healthy employees are the foundation for Solteq's success. For this reason, the Company's operations are largely built on the core values (integrity, dedication, better together) defined together with the employees. A strong foundation of values aims to ensure a good employee experience that enables a positive customer experience.

IT is a rapidly developing industry and the experts employed by Solteq want to develop their skills continuously. To this end, the Company offers regular training opportunities for its personnel. Training in 2021 focused on improving the personnel's technical competencies and information security skills. In addition, team leaders improved their leadership skills through training.

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

Successful recruitment plays a strategically important role in a growing and developing Company. In 2021, the Company recruited 147 new employees (111). Personnel turnover is at 19 percent (16). High employee mobility is typical in the industry, and the phenomenon was accelerated by the pandemic. The primary risk related to personnel concerns the availability of competent employees.

Personnel satisfaction is measured by a survey conducted three times per year. The survey results are used in assigning priorities to Company-specific development projects as well as to supporting managerial work at team level. Employer recommendation (eNPS) decreased from previous year's 38 to 31. The change reflected the challenges with supplying the needed resources for the growing business due to labor shortage.

Solteq strives to be a flexible employer that values equality and diversity. Employees are treated equally regardless of their gender, ethnicity, religious beliefs, age, and other such factors. Unlike many software companies, Solteq's personnel has a wide age range. The Company's employees include fresh graduates as well as experienced professionals approaching retirement age. The average age of the personnel was 40.9 years (41.3). Women accounted for 22 percent of Solteq's personnel (21).

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

Data Protection and Information Security

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

Solteq's company-level IT operations, covering data security practices, control systems, and risk management, were granted ISO/IEC 27001:2013 certification in 2020. The certification requires that the Company continuously develops its data security and data protection. The auditor for the certification was KPMG IT Sertifiointi Oy, and the auditing was re-evaluated in December 2021. No significant shortcomings were found.

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

Solteq also gives guidance to its customers relating to appropriate technical and organizational measures, which contributes to protection of privacy in the society. Solteq developed its information security through several information security projects during 2021. The emphasis has been on identity protection, risk and vulnerability management of delivered customer solutions, and also on the capability to protect against global data security threats.

The prevention and communication of information security threats is managed by an established Security Incident Reporting (SIR) process, which ensures that the relevant parties both are informed of potential or actual security incidents. This secures efficiency in handling information security incidents. Solteq is involved in the Digipooli project led by the National Emergency Supply Agency. Digipooli is a trust network between businesses and public authorities that promotes digital security in society.

Solteq's employees' information security skills are maintained through regular information security training. Information security is an integral part of the orientation trainings arranged for the personnel. Extended data protection and information security trainings to the entire personnel were introduced in the spring of 2019, and they became mandatory part of employee training programme. Approximately 80 percent of the personnel completed the Information Security and Data Protection training during 2021. The training system is renewed in the beginning of 2022, with regular training sessions arranged throughout the year on current information security and data protection issues.

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

Throughout 2021, the personnel continued to work remotely. Remote work was widely adopted already in 2020. The continuous and long-term architecture development takes information security into account in all working environments. Remote work has not caused significant challenges with information security or data protection.

Anti-Corruption and Bribery

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

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

Solteq's Board of Directors has approved the Company's anti-bribery and corruption policy and the principles it includes in 2016. The policy complements Solteq's Code of Conduct and includes comprehensive guidelines concerning anti-bribery and corruption activities. Solteq also requires its suppliers and partners to observe the Company's Supplier Code of Conduct or corresponding principles pertaining to corporate responsibility.

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

Solteq has established an internal whistleblowing channel to enable the anonymous reporting of suspected misconduct. The Company is committed to processing all reports confidentially in accordance with a standard process. Ensuring the safety of whistle-blowers is essential for Solteq. No suspected incidents of misconduct were reported in 2021.

Environmental Responsibility

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

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

Carbon Footprint Directs Towards Better Tomorrows

In 2021, Solteq Plc's CO_2 emissions were assessed in accordance with the international Greenhouse Gas Protocol (GHG), taking into account the key emission sources for the Company's direct and indirect operations.

In 2021, the entire value chain carbon footprint of Solteq Group was 804 tonnes CO_2e.

- Scope 1 covers direct emissions resulting from the Group's operations. These include carbon dioxide emissions from the consumption of fossil fuels by leased cars. Scope 1 emissions accounted for 6.5 percent of Solteq's total emissions.
- Scope 2 covers indirect emissions resulting from the Group's operations. These include carbon dioxide emissions from electricity, heating, and cooling of the Company's premises. Scope 2 emissions accounted for 29.9 percent of Solteq's total emissions.
- Scope 3 covers indirect emissions resulting from the Group's operations. These include the carbon dioxide emissions from business travel – flights, train travel, and car journeys which are reimbursed – equipment and capacity purchases, and commuting. Scope 3 emissions accounted for 63.6 percent of Solteq's total emissions.

In 2021, the carbon footprint of Solteq Group's own operations was 356 tonnes CO_2e. Carbon emissions from commuting and equipment and capacity purchases are not included in the calculation.

In 2021, CO_2 emissions of the Group's own operations decreased by 8.0 percent relative to the comparison period. This was mainly due to a decrease in business travel, resulting from the pandemic. In addition, the pandemic reduced the environmental impact of the Company's operations due to the recommendation for remote work, which was in place for most of the year.

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

Carbon Footprint of Solteq Group's Own Operations in 2021 and 2020

	2021	2020	Change - %
Carbon footprint of own operations, tCO_2e	356	387	-8
CO_2 emissions relative to revenue, kg CO_2e / TEUR	5.2	6.4	-18.8
CO_2 emissions per employee, tCO_2e	0.59	0.65	-9.2

Green Choices as Part of Daily Work

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

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

EU Taxonomy

The EU Taxonomy is a classification system for sustainable finance that aims to support the transition towards an economy based on low carbon emissions, resource efficiency, and sustainable development. Through the classification system, EU is steering capital market financing towards sustainable targets, as well as steering companies operating in those markets towards more transparent reporting and responsible business practices.

The first reporting obligations related to the EU Taxonomy concern the assessment of the suitability of the classification system for 2021. The sectors included in the system are those with the greatest potential to meet the EU's climate change mitigation and adaptation goals.

Solteq has assessed its suitability for the EU Taxonomy classification system for 2021. The Company's core business operations do not correspond to activities that contribute to climate change mitigation or adaptation as these are defined by the classification system for the information, communications, and technology sector. As a result, 0 percent of Solteq's business operations come within the scope of economic activities that are subject to the classification system.

EU Taxonomy KPI	Revenue	Capital Expenditure	Operational Expenses
Share of business covered by taxonomy criteria, (%)	0	0	0
Share of business not covered by taxonomy criteria, (%)	100	100	100
Total, (TEUR)	69,055	7,147	62,045

Solteq continues its' efforts in sustainability and is preparing to extend its EU Taxonomy reporting for 2022.

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

Aspect	Principles and processes	Objective	Performance indicators	2021	2020	2019	Most significant risks
Anti-corruption and Bribery	Anti-corruption and bribery policy, engaging the commitment of employees and partners, whistleblowing channel	Commitment of employees and other stakeholders	Number of reported infringements	0	0	0	Criminal and other legal sanctions Impacts on customer relationships and public procurement Reputation risk
Management of identified risks	Several online trainings are organized for personnel in connection with the risk factors identified during the year. Topics include data security and protection, crisis communication, and prevention of corruption and bribery.	Personnel training and effective prevention of risks	Annual mandatory trainings attended by the staff	530	520	370	Risks related to data protection and information security Risk factors related to the Company's reputation
Personnel	A culture of sharing knowledge, working together and experimenting Development of leadership and managerial work Performance reviews and competence management Competitive benefits Rising trend in employee satisfaction	Solteq is a sought-after workplace with healthy and satisfied employees. The Company supports competence development, provides an equal and non-discriminatory workplace community and supports individual wellbeing. Positive employee experience	Employer recommendation score	31	38	36	Risks related to the availability of employees
Environmental Responsibility	Measurement and analysis of carbon footprint Life Cycle Management	Mitigation of the Company's carbon emissions	tCO_{2e}	356	387	n/a	Climate change related risks Reputation risk

Solteq Plc

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