Financial Statements Bulletin 2019

JANUARY 1–DECEMBER 31 2019

Solteq Plc Financial Statements Bulletin January 1–December 31, 2019

October–December

- Revenue totaled 15,708 thousand euros (14,930).
- EBITDA was 4,387 thousand euros (1,146).
- Operating profit was 3,328 thousand euros (645).
- The SAP ERP business was transferred to Enfo Oyj on January 1, 2020. The capital gain from the divestment improved the Group's EBITDA and operating profit by 2,515 thousand euros.
- The implementation of IFRS 16 standard improved EBITDA by 490 thousand euros and the operating profit by 46 thousand euros during the fourth quarter.*
- Earnings per share was 0.11 euros (0.01).

January–December

- Revenue totaled 58,291 thousand euros (56,867).
- EBITDA was 9,714 thousand euros (4,766).
- Operating profit was 5,711 thousand euros (2,466).
- The SAP ERP business was transferred to Enfo Oyj on January 1, 2020. The capital gain from the divestment improved the Group's EBITDA and operating profit by 2,515 thousand euros.
- The implementation of IFRS 16 standard improved EBITDA by 1,899 thousand euros and the operating profit by 185 thousand euros during the review period.*
- Earnings per share was 0.15 euros (0.02).
- Solteq Group’s equity ratio was 32.0 percent (32.4).
- The Group’s equity ratio excluding the impact from adopting the IFRS 16 standard would have been 34.6 percent during the review period.*
- Net cash flow from operating activities was 4,128 thousand euros (8,002).
- The revenue was 2.5 percent higher than in the comparison period. Continuous services accounted for approximately one third of the revenue.
- The company invested strongly in future growth by focusing on the development of our own cloud-based software products and services. During the review period the product development investments amounted to 3.9 million euros (2.3).

*Solteq Group implemented the IFRS 16 Leases standard effective from January 1, 2019. The new standard was implemented using the modified retrospective approach, in which the comparative figures for prior financial periods were not restated.

Key figures

	10-12/2019	10-12/2018	Change-%	1-12/2019	1-12/2018	Change-%
Revenue, TEUR	15,708	14,930	5.2	58,291	56,867	2.5
EBITDA, TEUR	4,387	1,146	282.8	9,714	4,766	103.8
Adjusted EBITDA, TEUR	2,147	1,617	32.8	7,546	5,417	39.3
Operating profit, TEUR	3,328	645	416.2	5,711	2,466	131.6
Adjusted operating profit, TEUR	1,088	1,115	-2.4	3,543	3,117	13.7
Profit for the financial period, TEUR	2,049	109	1,785.9	2,803	356	687.8
Earnings per share, EUR	0.11	0.01	1,811.6	0.15	0.02	683.5
Operating profit, %	21.2	4.3		9.8	4.3	
Adjusted operating profit, %	6.9	7.5		6.1	5.5	
Equity ratio, %				32.0	32.4	

Profit guidance 2020

Solteq Group's adjusted operating profit is expected to remain at the same level as in 2019.

CEO Olli Väätäinen:

2019 – a year of international business growth and innovation

The Group’s business grew moderately, thanks to our foreign subsidiaries, and profitability increased: Solteq Group’s revenue was 58.3 million euros, operating profit 5.7 million euros and adjusted operating profit 3.5 million euros. Revenue grew by 2.5%, operating profit by 131.6% and adjusted operating profit by 13.7%.

3.9 million euros was invested in developing our own software products and services. Product development focused on Utilities solutions; Point-of-Sale software; and autonomous robotics. During 2019, the Utilities business grew by 25%; we launched the first customer deliveries of the new Point-of-Sale solution; and within autonomous robotics, we tested Solteq Retail Robot in a real store environment with S Group. In December 2019, Solteq Retail Robot was chosen as the best potential innovation in the Quality Innovation Award competition.

The company's own software products and related services contributed around a third and digital services around two thirds of the Group’s revenue. In October 2019, we announced a change in the Group’s segment structure, dividing the business operations into Solteq Software, which is based on the company’s own products, and Solteq Digital, which comprises IT expert services based on client products. The new segment structure, effective from the beginning of 2020, creates a better match with the Group's business structure and revenue model and promotes business management.

The company’s revenue in Finland did not grow compared to the year before. The main reason for this was the delay in launching a few major customer projects towards the end of the year. The company has also been in the middle of a particularly challenging customer project that has been ongoing for several years; delivery for this project was interrupted by six months, and restarted again during 2019. Due to the postponements in these customer projects, the Finnish revenue and operating profit did not develop as well as expected during the second half of the year.

International business and profitable innovation form a significant part of our growth strategy and were among our priorities for 2019. Our foreign subsidiaries developed well in 2019, driven by digital services. The revenue of our foreign subsidiaries grew organically by 26% compared to the previous year, accounting for 21% of consolidated revenue.

The company's digital services consisted mainly of eCommerce and information management solutions and operational systems delivered to large and medium-sized customers. Demand for our eCommerce solutions remained stable. There was clear growth in demand for information management solutions, with particularly good growth within Microsoft-based operational systems.

In 2020, the company will continue to develop its international business and its own cloud-based software products and services, and to invest in selected client products. As part of this strategy, a business transfer agreement was completed at the end of 2019, resulting in the transfer of Solteq's SAP ERP business to Enfo Oyj as of January 1, 2020. Via this agreement, Solteq Digital's operational system deliveries have become increasingly focused on Microsoft-based solutions.

Our business outlook remains unchanged. The company was reorganized according to the new segment structure as of January 1, 2020. This will enable more efficient operations, and we expect these measures will improve our performance in 2020. Investments in our own product development have begun to be realized in the form of successful customer deliveries, and we forecast that our industry-specific products will continue on a positive commercial path.

Markets and operating environment

Demand for digital expert services and continuously developing software products is increasing alongside the digital disruption and as businesses' operating environments change. Solteq primarily operates with selected solutions in chosen sectors of the Nordic IT services and software market. Solteq estimates that this market will develop positively and offer a clear avenue for growth both domestically and internationally.

Solteq offers industry-specific solutions for trade, manufacturing industry, car retail, the energy industry, the hotel and restaurant business and the public sector. Demand continues to grow in these sectors for solutions that digitalize core operations and make use of artificial intelligence, data, automation and seamless multichannel systems. Demand is being further increased by statutory obligations to renew data systems, for example in the energy sector and water resources management. The company has a significant competitive advantage based on long-term experience of sector-specific needs.

Demand for autonomous robotics and cloud services is expected to continue growing rapidly around the world. Solteq is a trailblazer in autonomous robotics and cloud-based POS solutions in Europe. The company is expecting to achieve international success over the next few years with Solteq Retail Robot and the modern, cloud-based Solteq Cloud POS solution, both launched in 2019.

Solteq has been consistently building its market position as a provider of comprehensive solutions and services. This resonates well with the market. On the other hand, continuous development of customer needs requires investments in Solteq's own product development and new technologies, especially within cloud services and analytics. In addition, IT sector players are expected to provide more agile and scalable delivery models. Solteq meets the expectations with its organization utilizing agile methods and by focusing on providing services according to the as-a-Service (aaS) model.

The digital expert services and software products provided by the company comprehensively cover developments that are expected to emerge in the future. These include intelligent use of data in business processes, the mainstreaming of cloud technologies, and digital services based on user and customer experiences. The digital reality is affecting everyone. Keeping up with the latest developments is therefore on the current and future agenda of companies of different sizes and in various sectors.

Revenue and profit

Revenue from contracts with customers

TEUR	10-12/2019	10-12/2018	1-12/2019	1-12/2018
Services	12,580	11,996	45,415	48,462
Revenue from long-term projects	1,407	1,011	5,922	2,124
Revenue from software licenses	1,536	1,814	6,386	5,921
Hardware sales	185	110	568	360
Total	**15,708**	**14,930**	**58,291**	**56,867**

October–December

Revenue increased by 5.2 percent compared to the previous year and totaled 15,708 thousand euros (14,930).

Operating profit for the fourth quarter was 3,328 thousand euros (645). Adjusted operating profit was 1,088 thousand euros (1,115). The implementation of IFRS 16 standard improved operating profit by 46 thousand euros compared to the corresponding period of the previous year.

Financial expenses increased by 65 thousand euros due to the implementation of the IFRS 16 standard. Profit before taxes was 2,776 thousand euros (32) and the profit for the financial period was 2,049 thousand euros (109).

January–December

Revenue increased by 2.5 percent compared to the previous year and totaled 58,291 thousand euros (56,867).

Operating profit for the review period was 5,711 thousand euros (2,466). Adjusted operating profit was 3,543 thousand euros (3,117). The implementation of IFRS 16 standard improved operating profit by 185 thousand euros compared to the corresponding period of the previous year.

Financial expenses increased by 257 thousand euros due to the implementation of the IFRS 16 standard. Profit before taxes was 3,679 thousand euros (642) and the profit for the financial period was 2,803 thousand euros (356).

Balance sheet and finance

Total assets amounted to 76,980 thousand euros (67,874). Liquid assets totaled 3,648 thousand euros (5,347). The company has a standby credit limit of 4,000 thousand euros. A total of 2,000 thousand euros of the standby credit limit was in use at the end of both the review and the comparison periods. The company also has a bank account credit limit of 2,000 thousand euros. At the end of both the review and the comparison periods, the bank account credit limit was unused. The company was granted a Business Finland product development loan of 1,201 thousand euros during the review period.

The Group's interest-bearing liabilities were 35,167 thousand euros (28,260).

Solteq Group's equity ratio was 32.0 percent (32.4). The Group's equity ratio without the impact of the implementation of the IFRS 16 standard would have been 34.6 percent.

On July 1, 2015 Solteq Plc (Solteq) issued an unsecured bond of 27.0 million euros. The bond carries a fixed annual interest of 6.0 percent and its maturity is five years. To reduce the company's interest costs Solteq Plc repurchased and cancelled the share of 2.5 million euros of the above-mentioned bond during the financial year 2016. The bond will mature on July 1, 2020, and the company began measures to ensure refinancing during the 2019 financial year. These consist of renewal of the bond and overdraft and liquidity facilities. The financial negotiations and related measures have proceeded as planned, and the management foresees a positive result for the negotiations. The management therefore expects operations to continue, with only a low risk of inadequate funding.

The financial covenants concerning the distribution of funds and incurring financial indebtedness other than permitted in the terms of the Bond (Incurrence Covenant) require that at any agreed review date, the Equity Ratio exceeds 27.5 percent, the Interest Coverage Ratio (EBITDA / net interest cost) exceeds 3.00:1 and that the Group's Net Interest Bearing Debt to EBITDA ratio does not exceed 3.50:1.

Investment, research and development

The net investments during the review period were 4,632 thousand euros (8,283). During the review period, 3,882 thousand euros (2,252) 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 2,216 thousand euros (1,538). The effect of the SAP EPR business transfer agreement on net investments at the end of 2019 totaled -1,466 thousand euros. In the comparison period 4,493 thousand euros of the net investments related to the acquired acquisition.

Capitalized development costs include 2,874 thousand euros (1,610) of staff costs.

Personnel

The number of permanent employees at the end of the review period was 598 (586).

Key figures for group's personnel

	10-12/2019	10-12/2018	1-12/2019	1-12/2018
Average number of personnel during period			597	567
Employee benefit expenses, TEUR	6,559	7,480	30,951	29,779

Related party transactions

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

The related party actions and euro amounts are presented in the tables at the end of this Financial Statements Bulletin.

Shares, shareholders and treasury shares

Solteq Plc's equity on December 31, 2019 was 1,009,154.17 euros which was represented by 19,306,527 shares. The shares have no nominal value. All shares have an equal entitlement to dividends and company assets. Shares are governed by a redemption clause.

Solteq Plc did not hold any treasury shares at the end of the review period.

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

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

The theoretical market value of the incentive scheme was at the time of the implementation about 0.6 million euros which was recognized as an expense in accordance with IFRS 2 in the years 2016–2018. The expense is not recognized on a cash flow basis except for the share of the share based. The company's current and former management owned one million shares under the option scheme. The subscription period ended on December 31, 2019. No shares were subscribed during the subscription period, and the options expired.

Exchange and rate

During the review period, the exchange of Solteq's shares in the Helsinki Stock Exchange was 0.8 million shares (0.8) and 1,2 million euros (1.2). The highest rate during the review period was 1.65 euros and lowest rate 1.27 euros. The weighted average rate of the share was 1.44 euros and end rate 1.49 euros. The market value of the company's shares at the end of the review period totaled 28.8 million euros (25.1).

Ownership

At the end of the review period, Solteq had a total of 2,209 shareholders (2,152). Solteq's 10 largest shareholders owned 13,277 thousand shares i.e. they owned 68.8 percent of the company's shares and votes. Solteq Plc's members of the Board of Directors and CEO owned 592 thousand shares on December 31, 2019 (592).

Annual General meeting

Solteq's Annual General Meeting on March 27, 2019 approved the financial statement for period January 1–December 31, 2018 and discharged the CEO and the Board of Directors from liability.

The Board of Directors' proposal of to the General Meeting that no dividend will be paid from the financial year ended on December 31, 2018 was accepted.

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

The maximum total amount of shares or other rights to be issued under the authorization is 3,000,000. The authorization includes the right to give new shares and rights or convey company's own shares. The authorization includes a right to deviate from the shareholders' pre-emptive right of subscription if there is a significant financial reason in company's opinion. These reasons include, but are not limited to, improving the capital structure, financing and executing business acquisitions and other business improvement arrangements or being used as a part of remuneration of personnel. The authorization includes that the Board of Directors may decide all the other terms and other matters concerning the share issue and rights. The authorization is effective until the next Annual General Meeting, however, no longer than until April 30, 2020.

In addition, the Board of Directors proposes that the Board of Directors is authorized to decide on accepting the company's own shares as pledge as follows:

The Board of Directors is authorized to decide on accepting the company's own shares as pledge (direct) regarding business acquisitions or when executing other business arrangements. Accepting pledge may occur at once or in multiple transactions. The number of own shares to be accepted as pledge shall not exceed 2,000,000 shares. The authorization includes that the Board of Directors may decide on other terms concerning the pledge. The authorization is effective until the next Annual General Meeting, however, no longer than until April 30, 2020.

The Annual General Meeting decided to amend 2 § Line of Business of Articles of Association according to the Board of Directors’ proposal as follows:

2 § Line of business

The company’s line of business is to develop, sell, consult, import, produce and rent information technology services, software, and related equipment as well as other business related to the aforesaid. The company can own and manage real estate, shares and securities.

Board of directors and auditors

The Annual General Meeting on March 27, 2019 decided that The Board of Directors includes six members. Aarne Aktan, Lotta Kopra, Markku Pietilä, and Mika Uotila will continue on the Board and Panu Porkka and Katarina Segerståhl were elected as new members.

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

In addition, Aarne Aktan, Lotta Kopra 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 Lotta Nurminen, APA, acting as the chief auditor.

Other events during the review period

On June 28, Solteq reported the resignation of the company's CFO and Executive Team member, Martti Nurminen. Kari Lehtosalo was appointed as the new CFO on August 21, starting in his position on September 23.

On December 30, 2019, Solteq announced that it had signed a business transfer agreement, whereby the company's SAP ERP business, including its current employees and customers, were transferred to Enfo Oyj, effective on January 1, 2020.

Events after the review period

The company’s management is not aware of any events of material importance after the review period that might have affected the preparation of the Financial Statements Bulletin.

Risks and uncertainties

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

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

Proposal of the Board of Directors on the disposal of profit for the financial year

At the end of the financial year 2019, the distributable equity of the Group's parent company is 18,976,482.38 euros.

The Board of Directors proposes that the General Meeting would authorize the Board of Directors to decide, at its discretion, on the distribution of dividend. The maximum total amount of dividend to be distributed shall not exceed 965,326.35 euros.

Unless the Board of Directors decide otherwise, a dividend of a maximum amount of 0.05 euros per share will be paid on a date decided by the Board of Directors, to shareholders that are registered in the Company's shareholders' register maintained by Euroclear Finland Ltd on the dividend record date, decided by the Board of Directors. The Company shall make a separate announcement if a resolution to distribute dividend is made.

The authorization is proposed to be valid until August 31, 2020 (August 31, 2020 included).

Before the Board of Directors resolves on the distribution of dividend, it must assess whether the requirements for the distribution of dividends under the Finnish Companies Act are fulfilled in terms of the Company's solvency and / or financial position.

Provided that the requirements for the distribution of dividends under the Finnish Companies Act are fulfilled, the Board of Directors may decide on the distribution of dividend mentioned above.

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

Financial reporting

This Financial Statements Bulletin has been prepared in accordance with the recognition and valuation principles of IFRS standards and using IAS 34 and the same accounting policies as the Financial Statements 2018. In addition, company has applied the new and amended provisions that came into effect on the January 1, 2019. The Financial Statements Bulletin is based on the 2019 audited financial statements.

Solteq Group has one reported segment, Software Services, which combines operating segments Digital Services and Core Business Solutions.

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

Changes in the accounting principles

Solteq Group has applied the IFRS 16 Leases standard effective from January 1, 2019. The standard is implemented using the modified retrospective approach, in which the comparative figures for prior financial periods have not been restated. The impact of the standard to the Group's opening balance has been demonstrated below in the section "New IFRS 16 Leases standard effective from 1 January 2019". The present value of the remaining unpaid lease liabilities of contracts which were in effect on January 1, 2019, that were previously classified as operating leases, was recognized as a liability. At the time of implementation of the standard, the amount of the lease liability was recognized as a right-of-use asset, and the implementation had no impact on the Group's equity.

The new standard replaced the IAS 17 standard and related interpretations. IFRS 16 standard requires lessees to recognize the lease agreements in the balance sheet as right-of-use assets and lease liabilities. The accounting model is similar to finance lease accounting in accordance with IAS 17. There are two practical exemptions available: short-term leases with a maximum lease term of 12 months, and leases for a maximum value of approximately USD 5,000 of the underlying asset. The lessor accounting treatment remains mostly in line with the previous IAS 17 accounting.

Solteq is a lessee and mainly leases business premises. The implementation of the new standard changed the accounting treatment of these leases. In addition, the Group has leased assets under finance leases. These assets have been recognized in the balance sheet already in the previous financial periods and the implementation of the standard has no material impact to the financial leases. 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.

The impact of IFRS 16 to the consolidated statement of financial income has been presented in the tables at the end of this Interim report.

Financial information

Consolidated statement of comprehensive income

TEUR	10-12/2019	10-12/2018	1-12/2019	1-12/2018
Revenue	**15,708**	**14,930**	**58,291**	**56,867**
Other income	2,571	477	2,594	487
Materials and services	-1,706	-1,073	-5,440	-6,089
Employee benefit expenses	-9,908	-8,298	-36,757	-35,602
Depreciations and impairments	-1,059	-502	-4,003	-2,300
Other expenses	-2,278	-4,890	-8,974	-10,897
Operating profit	**3,328**	**645**	**5,711**	**2,466**
Financial income and expenses	-552	-612	-2,032	-1,824
Profit before taxes	**2,776**	**32**	**3,679**	**642**
Income taxes	-727	76	-876	-286
Profit for the financial period	**2,049**	**109**	**2,803**	**356**
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Currency translation differences	22	-104	-44	-14
Other comprehensive income			-29	
Other comprehensive income, net of tax	22	-104	-73	-14
Total comprehensive income	**2,071**	**5**	**2,731**	**342**
Total profit for the period attributable to owners of the parent	2,049	109	2,803	356
Total comprehensive income attributable to owners of the parent	2,071	5	2,731	342
Earnings per share, EUR (undiluted)	0.11	0.01	0.15	0.02
Earnings per share, EUR (diluted)	0.11	0.01	0.15	0.02

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

Consolidated statement of financial position

TEUR	31 Dec 2019	31 Dec 2018
Assets		
Non-current assets		
Tangible assets	654	2,355
Right-of-use assets	7,298	
Intangible assets		
Goodwill	38,840	40,427
Other intangible assets	10,151	6,952
Other investments	481	481
Other long-term receivables	108	233
Non-current assets total	**57,531**	**50,448**
Current assets		
Inventories	164	94
Trade and other receivables	15,638	11,985
Cash and cash equivalents	3,648	5,347
Current assets total	**19,449**	**17,426**
Total assets	**76,980**	**67,874**
Equity and liabilities		
Equity attributable to equity holders of the parent company		
Share capital	1,009	1,009
Share premium reserve	75	75
Distributable equity reserve	12,910	12,910
Retained earnings	10,533	7,803
Total equity	**24,528**	**21,797**
Non-current liabilities		
Deferred tax liabilities	588	815
Financial liabilities	1,201	25,551
Lease liabilities	5,156	
Non-current liabilities total	**6,945**	**26,366**
Current liabilities		
Financial liabilities	26,461	2,710
Trade and other payables	16,657	16,588
Provisions	41	414
Lease liabilities	2,349	
Current liabilities total	**45,508**	**19,712**
Total equity and liabilities	**76,980**	**67,874**

Cash flow statement

TEUR	1-12/2019	1-12/2018
Cash flow from operating activities		
Profit for the financial period	2,803	356
Adjustments for operating profit	3,732	3,797
Changes in working capital	-595	5,675
Interests paid	-1,829	-2,054
Interests received	16	228
Net cash from operating activities	**4,128**	**8,002**
Cash flow from investing activities		
Acquisition of subsidiaries		-2,291
Investments in tangible and intangible assets	-4,668	-3,304
Net cash used in investing activities	**-4,668**	**-5,595**
Cash flow from financing activities		
Long-term loans, increase	1,201	
Short-term loans, increase	3,595	2,000
Short-term loans, decrease	-3,595	-40
Payment of lease liabilities/Payment of finance lease liabilities *	-2,361	-573
Net cash used in financing activities	**-1,160**	**1,387**
Changes in cash and cash equivalents	**-1,700**	**3,795**
Cash and cash equivalents at the beginning of period	5,347	1,552
Cash and cash equivalents at the end of period	**3,648**	**5,347**

* According to IFRS 16 Payment of lease liabilities and according to IAS 17 Payment of finance lease liabilities

The implementation of IFRS 16 impacts also the presentation of cash flow. The repayment of lease liability is presented under financing activities and only the interest expense related to lease liability in cash flow from operating activities. Previously, all the lease payments for operating leases were presented in the cash flow from the operating activities. The impact of IFRS 16 to cash flow from operating activities was +1,642 thousand euros and to cash flow from financing activities -1,642 thousand euros.

Statement of changes in group equity

TEUR	Share capital	Share premium account	Invested unrestricted equity reserve	Currency translation difference	Retained earnings	Total
Equity 1 Jan 2018	1,009	75	11,960	-42	7,518	20,520
Impact of the implementation of IFRS 9					-16	-16
Change of IFRS 2 standard					15	15
Adjusted equity 1 Jan 2018	**1,009**	**75**	**11,960**	**-42**	**7,517**	**20,519**
Comprehensive income					356	356
Other items on comprehensive income				-14		-14
Total income	**0**	**0**	**0**	**-14**	**356**	**342**
Transactions with owners						
Incentive scheme and option scheme					-14	-14
Directed issue to the owners of TM United A/S			950			950
Transactions with owners	**0**	**0**	**950**	**0**	**-14**	**936**
Equity 31 Dec 2018	**1,009**	**75**	**12,910**	**-56**	**7,859**	**21,797**
Equity 1 Jan 2019	**1,009**	**75**	**12,910**	**-56**	**7,859**	**21,797**
Comprehensive income					2,803	2,803
Other items on comprehensive income				-44	-29	-73
Total income	**0**	**0**	**0**	**-44**	**2,775**	**2,731**
Equity 31 Dec 2019	**1,009**	**75**	**12,910**	**-100**	**10,633**	**24,528**

Quarterly key indicators

TEUR	1-3/2019	4-6/2019	7-9/2019	10-12/2019
Revenue	14,930	14,660	12,993	15,708
Operating profit	1,530	571	282	3,328
Result before taxes	1,062	64	-223	2,776

TEUR	1-3/2018	4-6/2018	7-9/2018	10-12/2018
Revenue	14,871	14,232	12,834	14,930
Operating profit	1,305	24	492	645
Result before taxes	897	-337	50	32

Total investments

TEUR	10-12/2019	10-12/2018	1-12/2019	1-12/2018
Group total	346	1,675	4,632	8,283

Liabilities

TEUR	31 Dec 2019	31 Dec 2018
Business mortgages	10,000	10,000
Off-balance sheet lease liabilities	1,027	6,739

Related party transactions

TEUR	10-12/2019	10-12/2018	1-12/2019	1-12/2018
Service sales	6	9	6	23
Renting arrangements				0
Purchases	2	2	8	105
Total	**8**	**11**	**14**	**128**

Transactions with the related parties have been done at market price and are part of the company's normal business.

Fair value of financial assets and financial liabilities

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

Distribution of holdings by sector December 31, 2019

	Number of owners		Shares and votes	
	PCS	%	PCS	%
Private companies	65	2.9	2,551,603	13.2
Financial and insurance institutions	12	0.5	6,134,896	31.8
Public-sector organizations	2	0.1	3,245,597	16.8
Households	2,118	95.9	7,336,930	38.0
Non-profit organizations	2	0.1	231	0.0
Foreign owners	10	0.5	37,270	0.2
Total	**2,209**	**100.0**	**19,306,527**	**100.0**
Of which nominee registered	8	0.4	1,040,315	5.4

Distribution by number of shares December 31, 2019

	Number of owners		Shares and votes	
Number of shares	**PCS**	**%**	**PCS**	**%**
1 - 100	543	24.6	31,359	0.2
101 - 1 000	1,137	51.5	536,520	2.8
1 001 - 10 000	434	19.6	1,384,351	7.2
10 001 - 100 000	78	3.5	2,416,295	12.5
100 001 - 1 000 000	12	0.5	3,615,999	18.7
1 000 000 -	5	0.2	11,322,003	58.6
Total	**2,209**	**100.0**	**19,306,527**	**100.0**
Of which nominee registered	8	0.0	1,040,315	5.4

Major shareholders December 31, 2019

		Shares and votes	
		number	**%**
1.	Sentica Buyout III Ky	4,621,244	23.94
2.	Profiz Business Solution Oy	2,051,997	10.63
3.	Keskinäinen Työeläkevakuutusyhtiö Elo	2,000,000	10.36
4.	Saadetdin Ali Urhan	1,403,165	7.27
5.	Keskinäinen työeläkevakuutusyhtiö Varma	1,245,597	6.45
6.	Aalto Seppo Tapio	700,000	3.63
7.	Roininen Matti Juhani	450,000	2.33
8.	Väätäinen Olli Pekka	400,000	2.07
9.	Lamy Oy	225,000	1.17
10.	Sentica Buyout III Co-Investment Ky	180,049	0.93
10 largest shareholders total		13,277,052	68.77
Total of nominee registered		1,040,315	5.39
Others		4,989,160	25.84
Total		**19,306,527**	**100.00**

Financial performance indicators

	10-12/2019	10-12/2018	1-12/2019	1-12/2018
Revenue, MEUR	15.7	14.9	58.3	56.9
Change in revenue, %	5.2	10.3	2.5	12.1
Operating profit, MEUR	3.3	0.6	5.7	2.5
% of revenue	21.2	4.3	9.8	4.3
Profit before taxes, MEUR	2.8	0.0	3.7	0.6
% of revenue	17.7	0.2	6.3	1.1
Net investments in non-current assets, MEUR	0.3	1.7	4.6	8.3
Equity ratio, %			32.0	32.4
Net debt, MEUR			31.5	22.9
Gearing, %			128.5	105.1
Return on equity, rolling 12 months, %			12.1	1.7
Return on investment, rolling 12 months, %			10.4	5.2
Personnel at end of period			598	586
Personnel average for period			597	567

* Gearing, % without the impact of the implementation of IFRS 16 standard would have been 105.3 percent.

Key indicators per share

	10-12/2019	10-12/2018	1-12/2019	1-12/2018
Earnings per share, EUR (undiluted)	0.11	0.01	0.15	0.02
Earnings per share, EUR (diluted)	0.11	0.01	0.15	0.02
Equity per share, EUR			1.27	1.13

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 as part of this interim report. The performance measures presented as rolling 12 months include the total figures of the past four quarters.

The alternative key figures, which are adjusted for the effect of IFRS 16, are used to describe the profitability of the business and the achievement of certain financial objectives. Operating profit excluding the impact of IFRS 16 corresponds to operating profit prior to the adoption of IFRS 16.

Adjusted items and alternative performance measures

Adjusted items:

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

Adjusted operating profit (EBIT)

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

TEUR	**10-12/2019**	**10-12/2018**	**1-12/2019**	**1-12/2018**
Operating profit (EBIT)	**3,328**	**645**	**5,711**	**2,466**
Adjustments				
SAP ERP business transfer agreement	-2,515		-2,515	
Incentive and option scheme (IFRS 2)				-14
Acquisition of subsidiaries				12
Change in fair value of conditional consideration		-460		-460
Cost of integrating the acquired business		72	72	72
Non-recurring severance packages	39	59	39	241
Damages from completed customer projects	98	800	98	800
Costs incurred by the re-organization of operations	138		138	
Total adjustments	**-2,240**	**470**	**-2,169**	**651**
Adjusted operating profit (EBIT)	**1,088**	**1,115**	**3,543**	**3,117**

Calculation of financial ratios

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

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

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

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

EBITDA: operating profit + depreciation and impairments

Net debt: interest bearing liabilities - cash and cash equivalents

Business combinations

There were no acquisitions during the review period.

Financial year 2018

During the financial year 2018, two company acquisitions were made.

TM United A/S

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

ProInfo A/S / NAV-business acquisition

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

Impact of the acquired companies to Solteq group

Aggregate figures for the acquisition	**Acquisition date**
TEUR	15.1./15.6.2018
Consideration	
Paid in cash	3,513
Directed issue	950
Total	**4,463**
Values of the assets and liabilities arising from the acquisition	
Tangible assets	17
Intangible assets **	586
Inventories	6
Trade and other receivables	1,300
Cash and cash equivalents	1,243
Total assets	**3,152**
Trade payables and other liabilities	-2,177
Financial liabilities	-40
Total liabilities	**-2,217**
The goodwill value of the acquisition	**3,527**
Cash flow from the acquisition	
Consideration paid in cash in 2018	3,479
Cash and cash equivalents of the acquired companies	1,241
Total cash flow from the acquisition	**2,238**

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

** Depreciations of the intangible rights during the review period are 70 thousand euros.

Expenses related to the acquisition	
Other expenses	245
Total expenses related to the acquisition	**245**
Impact on the Solteq Group's number of personnel	**47**
Impact on the Solteq Group's comprehensive income statement	**1.12.2018**
Revenue *	5,476
Operating profit *	15

* The amount of the revenue and the operating profit from the acquisition date to the end of the review period. TM United is consolidated to Solteq Group as of January 1, 2018 and NAV-business acquisition as of June 1, 2018. The revenue and operating profit of the acquired companies is not presented as the consolidation as the consolidation would have happened in the beginning of the financial year because it has not a significant effect on Solteq Group's figures.

New IFRS 16 Leases standard effective from January 1, 2019

Adjusted consolidated statement of financial position Jan 1, 2019

TEUR	Reported 31 Dec 2018	IFRS 16 adjustment	Adjusted 1 Jan 2019
Assets			
Non-current assets			
Tangible assets	2,355	6,398	8,754
Non-current assets total	**50,448**	**6,398**	**56,846**
Total assets	**67,874**	**6,398**	**74,272**
Equity and liabilities			
Non-current liabilities			
Financial liabilities	25,551	4,706	30,256
Non-current liabilities total	**26,366**	**4,706**	**31,071**
Current liabilities			
Current liabilities	19,712	1,693	21,404
Current liabilities total	**19,712**	**1,693**	**21,404**
Total equity and liabilities	**67,874**	**6,398**	**74,272**

Impact of IFRS 16 to consolidated statement of financial income

TEUR	7-9/2019 excluding the impact of IFRS 16	Impact of IFRS 16	10-12/2019	10-12/2018	1-9/2019 excluding the impact of IFRS 16	Impact of IFRS 16	1-12/2019	1-12/2018
Revenue	**15,708**		**15,708**	**14,930**	**58,291**		**58,291**	**56,867**
Other income	2,570	1	2,571	477	2,593	1	2,594	487
Materials and services	-1,706		-1,706	-1,073	-5,440		-5,440	-6,089
Employee benefit expenses	-9,908		-9,908	-8,298	-36,757		-36,757	-35,602
Depreciations and impairments	-614	-445	-1,059	-502	-2,289	-1,714	-4,003	-2,300
Other expenses	-2,768	490	-2,278	-4,890	-10,873	1,899	-8,974	-10,897
Operating profit	**3,282**	**46**	**3,328**	**645**	**5,526**	**185**	**5,711**	**2,466**
Financial income and expenses	-487	-65	-552	-612	-1,775	-257	-2,032	-1,824
Profit before taxes	**2,795**	**-19**	**2,776**	**32**	**3,751**	**-72**	**3,679**	**642**
Income taxes	-731	4	-727	76	-890	14	-876	-286
Profit for the financial period	**2,064**	**-15**	**2,049**	**109**	**2,861**	**-57**	**2,803**	**356**

Financial reporting in 2020

Solteq Plc's audited Annual Report and financial statements for 2019 will be published on the company's website by 27 March 2020. Additional information on 2019 is also available on our website from 27 March 2020. We will not publish a printed Annual Report.

Solteq Plc's financial information bulletins in 2020 have been scheduled as follows:

- Interim Report 1-3/2020 Thursday April 30, 2020 at 8.00 am
- Half Year Report 1-6/2020 Thursday August 13, 2020 at 8.00 am
- Interim Report 1-9/2020 Thursday October 29, 2020 at 8.00 am

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

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