SOLTEQ

Annual Report 2020

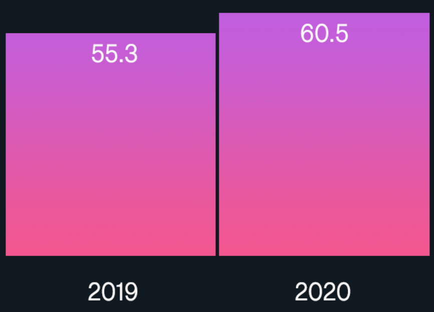
Contents

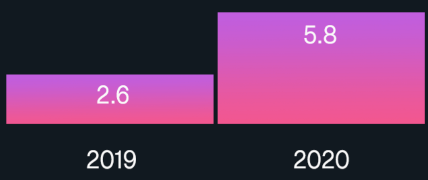
Solteq in Brief

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

60.5 MEUR
Comparable Revenue

5.8 MEUR
Comparable Operating Profit





6
Countries

14
Offices

593
Average number of personnel

"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."

CEO Olli Väätäinen

Company performed very well in a changed market situation

Solteq Group's comparable revenue grew clearly and the improvement in profit was significant. Solteq Group's comparable revenue was EUR 60.5 million – when the absence of the SAP ERP business is taken into account – up by 9.3 percent. The Group's comparable operating profit was EUR 5.8 million, up by 124.1 percent year-on-year. The comparable operating profit margin was 9.6 percent. The company's comparable EBITDA increased by 64.2 percent year-on-year to EUR 10.8 million. Solteq Group's comparable EBITDA margin was 17.9 percent.

Effective from the beginning of the year, the new segmentation restructured the company into two business segments: Solteq Software (software business) and Solteq Digital (services business). The Software segment accounted for about a third and the Digital segment about two thirds of the Group's revenue. Both segments performed well, as expected. Revenue from international subsidiaries accounted for 20.6 percent of consolidated revenue, which – due to the COVID-19 pandemic – was slightly below expectations.

Solteq Software business grew during the financial year. The segment's long-term financial goal is to grow by at least 20 percent a year. Success was driven by Utilities business area with its order intake of EUR 22 million. Solteq Digital performed consistently well, thanks to the customer orders secured prior to the pandemic. Investments in the company's product development amounted to around EUR 3 million.

The company monitored and assessed the impact of the COVID-19 pandemic on its business throughout the year. The pandemic had only minor negative impact in Finland, mainly affecting 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 in the early stages of the pandemic.

The company issued a new bond on October 1, 2020, using the assets obtained to redeem a bond that would have matured on July 1, 2021. A new, fixed-rate and unsecured senior bond worth EUR 23.0 million was admitted to public trading on Nasdaq Helsinki Ltd on October 5, 2020. The company used the new bond to secure its long-term financing and going concern.

Solteq Group's business outlook is good both in Finland and internationally. Driven by the Utilities business, Solteq Software is expected to continue its upward growth trend. The business outlook for Solteq Digital is expected to remain stable despite the pandemic. 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.

Olli Väätäinen
CEO

Corporate Governance Statement

Investor Information

Annual General Meeting

Solteq Plc's Annual General Meeting is planned to be held in Vantaa on March 30, 2021. The Board of Directors will convene the meeting separately at a later date. The current COVID-19 restrictions will be taken into account when organizing the Annual General Meeting and the health of the attending employees, shareholders and other stakeholders will not be jeopardized.

Solteq's Financial Reporting In 2021

- Interim Report 1–3/2021 on April 29, 2021 at 8:00 a.m.
- Half Year Financial Report 1–6/2021 on August 12, 2021 at 8:00 a.m.
- Interim Report 1–9/2021 on October 28, 2021 at 8:00 a.m.

Stock Exchange Bulletins 2020

Oct 29, 2020	Solteq Plc: Solteq Plc's Financial Reporting and Annual General Meeting in 2021
Oct 29, 2020	Solteq Plc: Solteq Plc's Interim Report January 1 – September 30, 2020
Oct 1, 2020	Solteq Plc: Listing prospectus for Solteq Plc's EUR 23,000,000 notes available
Sep 30, 2020	Solteq Plc: Solteq signs EUR 5.5 million agreement in the utilities sector
Sep 24, 2020	Solteq Plc: Solteq Plc issues new notes in a nominal amount of EUR 23 million and redeems its outstanding notes due 2021
Sep 15, 2020	Solteq Plc: Solteq Plc considers the issuance of new notes and announces the voluntary total redemption of its EUR 27 million senior unsecured fixed rate notes due 2021
Aug 21, 2020	Solteq Plc: Solteq Plc - Managers' Transactions
Aug 20, 2020	Solteq Plc: Changes in Solteq Plc's Executive Team
Aug 13, 2020	Solteq Plc: Solteq Plc's Half-Year Report January 1 – June 30, 2020
Jun 10, 2020	Solteq Plc: Solteq Plc: Decisions of the Annual General Meeting 2020 and the Board meeting held after the Annual General Meeting
May 18, 2020	Solteq Plc: Amendments to the terms and conditions of Solteq Plc notes approved in written procedure
May 18, 2020	Solteq Plc: Notice of Solteq Plc's Annual General Meeting 2020
Apr 30, 2020	Solteq Plc: Solteq Plc's Interim Report January 1 – March 31, 2020
Apr 29, 2020	Solteq Plc: The Board of Directors of Solteq Plc has decided to change the proposal for the distribution of dividend
Apr 28, 2020	Solteq Plc: Solteq Plc has signed delivery and service agreements worth around EUR 8 million (including options) with the energy industry
Apr 21, 2020	Solteq Plc: Solteq Plc announces a written procedure to amend the terms and conditions of its EUR 27 million senior unsecured fixed rate notes due 2020
Apr 20, 2020	Solteq Plc: Comparable data for the financial year 2019 based on Solteq Plc's new reporting structure
Apr 6, 2020	Solteq Plc: Solteq Plc considers requesting an amendment to the terms and conditions of its EUR 27 million notes in a written procedure
Apr 3, 2020	Solteq Plc: Solteq cancels its guidance for 2020 – markets unstable because of the COVID-19 pandemic
Mar 31, 2020	Solteq Plc: Solteq Plc's Auditor's Report 2019
Mar 31, 2020	Solteq Plc: Solteq Plc – Managers' transactions
Mar 27, 2020	Solteq Plc: Solteq Plc's Annual Report and financial statements 2019 have been published
Mar 26, 2020	Solteq Plc: Solteq Plc - Managers' Transactions
Mar 25, 2020	Solteq Plc: Solteq Plc - Managers' Transactions
Mar 23, 2020	Solteq Plc: Solteq Plc - Managers' Transactions
Mar 23, 2020	Solteq Plc: Solteq Plc cancels the Annual General Meeting on 1 April 2020 and postpones it to a later date
Mar 17, 2020	Solteq Plc: Solteq Plc – Managers' Transactions
Mar 6, 2020	Solteq Plc – Notice to Solteq Plc's Annual General Meeting 2020
Feb 27, 2020	Solteq Plc: Solteq Plc's Financial Statements Bulletin January 1 – December 31, 2019

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 located in Vantaa. By the end of the fiscal year, Solteq Group consists of the parent company Solteq Plc and its four foreign subsidiaries, which have three additional subsidiaries between them.

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 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 are in charge of the management of Solteq Group and their tasks are determined in accordance with the Finnish Companies Act. The CEO is in charge of 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 with regard to 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 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 500,000 euros and exceptional balance sheet items of more than 100,000 euros 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 2020 elected six (6) members to Solteq's Board of Directors: Markku Pietilä (Chairman), Aarne Aktan, Lotta Kopra, Katariina Segerståhl, Panu Porkka and Mika Uotila. The Board of Directors met 16 times during the year and had an attendance rate of 95 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 as a whole 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 the financial year, the Board of Directors was composed of four men and two women.

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, bookkeeping 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 are Aarne Aktan, Markku Pietilä and Lotta Kopra. The Chairman of the Committee is Aarne Aktan. All members of the Audit Committee are independent of the Company. Aarne Aktan and Lotta Kopra are independent of significant shareholders.

During the financial year 2020, 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 is in charge of 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, 2020.

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 convenes regularly each month. The CEO is the Chairman of the Executive Team.

During January 1–November 21, 2020 the members of the Executive Team were Olli Väätäinen (Chairman), Ilkka Brander (Solteq Software), Matti Djateu (Marketing and PR), Kirsi Jalasaho (People and Culture), Kari Lehtosalo (Finance and IR) and Juha Rokkanen (Solteq Digital).

During November 22–December 31, 2020 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.

In 2020, Solteq's auditor was KPMG Oy Ab, Authorized Public Accountants. The Annual General Meeting elected Petri Sammalisto, APA, as the auditor in charge.

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, 2020:

- 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, directly and through the companies he controls, 577,028 Solteq Plc shares, and
- the members of the Executive Team, excluding the CEO, held 91,503 Solteq Plc shares.

The management's share-based incentive scheme

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 EUR 0.6 million which was recognized as an expense in accordance with IFRS 2 in the years 2016–2018. The expense was 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.

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 2020, the material risks reported to the Board of Directors were related to COVID-19 pandemic, the Company's profit performance in the prevailing uncertain economic situation, project risks, credit and finance risks as well as the valuation of intangible balance sheet items.

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. Taking into account 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 on a monthly basis 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 takeover 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, in order to determine the fair value of Solteq Plc's shares and listed financial instruments. are principles guiding the Company's reporting practices.

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 annual 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 July 3, 2016. 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 interim reports or financial statements bulletins. Persons discharging managerial responsibilities and their closely associated persons must report all of 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, 2020

Markku Pietilä,
Chairman of the Board

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

Katarina Segerståhl

Year of birth: 1981
Education: PhD, Information Systems
Primary Occupation: Chief Strategy Officer (CSO), Aava Medical / Aho Group
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.

Mika Uotila

Year of birth: 1971
Education: M.Sc. (Econ.)
Primary occupation: Managing Partner, Sentica Partners Oy
Key work experience: Investment Director and Partner, Sentica Partners Oy; Executive positions, Sonera Oy; Chairman of the Board, Verkanappulat Group; Member of the Board of Directors, Eezy Oyj.
Member of the Board of Directors since: 2015
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.

Executive Team on December 31, 2020

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: –

Matti Djateu

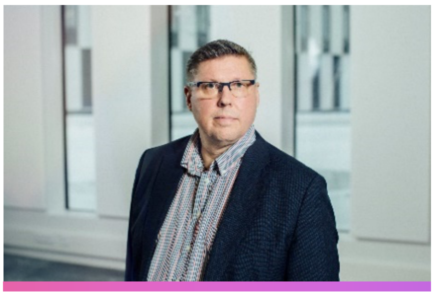
Year of birth: 1975
Education: –
Primary occupation: CDO, Solteq Plc
Key work experience: Head of Digital & PR, Scotch & Soda (2015–2017); Consultant, Peuple Bavard (2014–2015); Creative Director, Dentsu Aegis Network (2011–2014)
Member of the Executive Team since: June 16, 2017
Key concurrent positions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

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: -

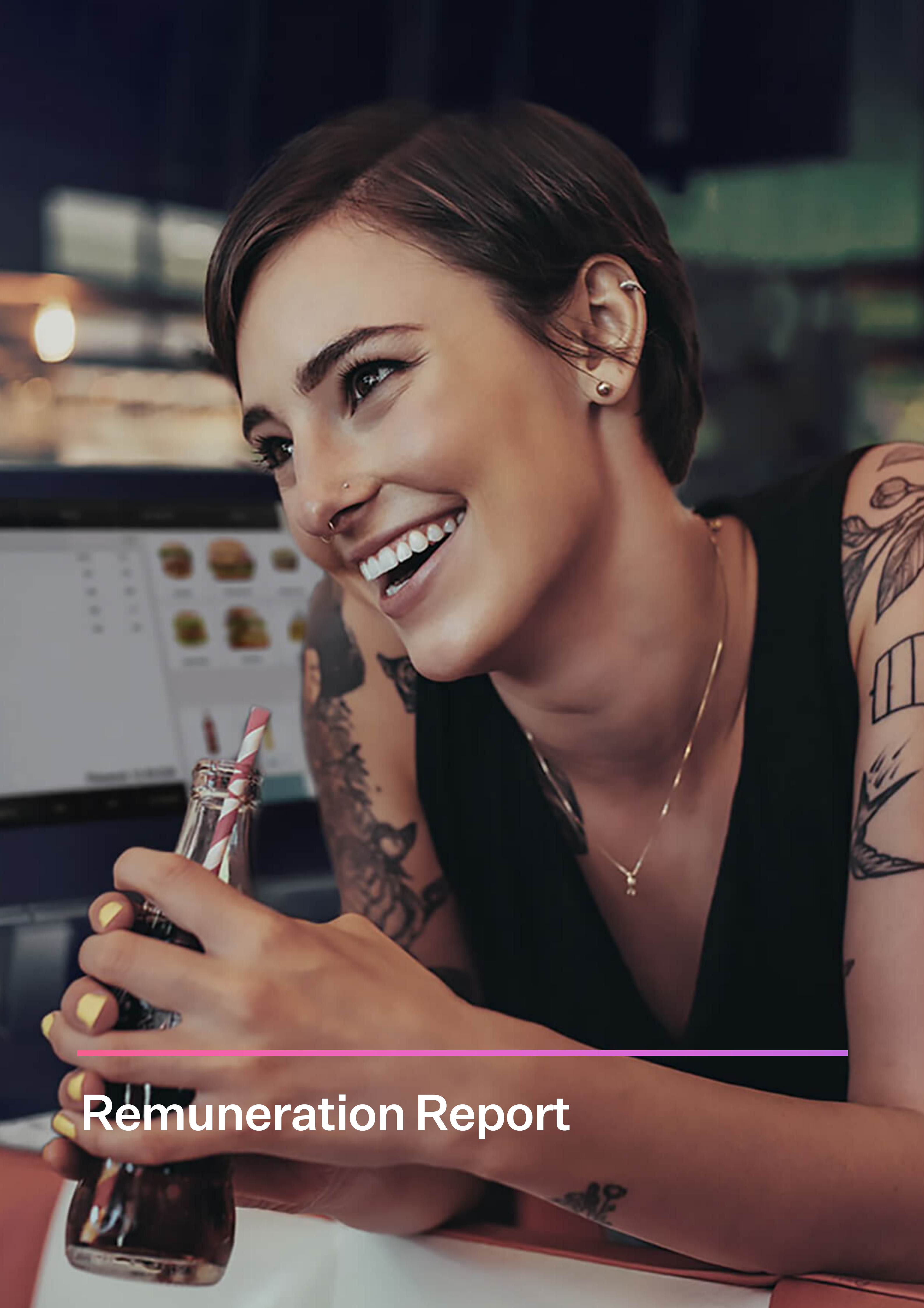
Kirsi Jalasaho

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, 2020. 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 discussed 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 2020, 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 2020.

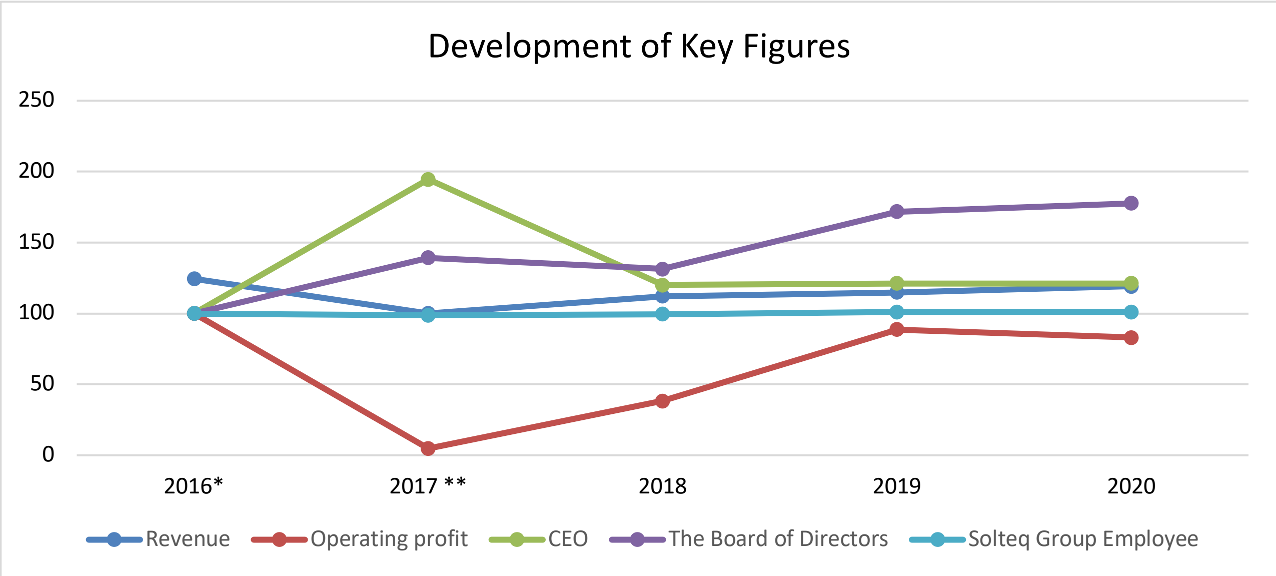
The remuneration report will be presented at the Annual General Meeting in 2021. The remuneration report is also published on the company's website.

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, EUR 500, has remained unchanged for the entire review period.

The CEO's remuneration has consisted of the fixed fee based on the CEO's contract and possible remuneration paid in accordance with incentive scheme. 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 subscription period ended on December 31, 2019. No shares were subscribed during the subscription period, and the options expired. During the year 2017, the company's CEO changed, and figures represent compensations paid for both of the CEO's during the year 2017



* The comparison figures for 2016 have not been adjusted according to the IFRS 15 standard.

** 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 2020

The Annual General Meeting decides on the remuneration paid to the Board of Directors. In accordance with the decisions made in the 2019 and 2020 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 2020.

Remuneration paid to the Board of Directors 2020

TEUR	Annual Remuneration	Meeting Remuneration	Total Remuneration
Pietilä Markku (Chairman of the Board)	36	10	46
Aktan Aarne	18	10	28
Kopra Lotta	18	10	28
Porkka Panu	18	8	26
Segerståhl Katarina	18	8	26
Uotila Mika	18	8	26
Total	**126**	**54**	**180**

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

CEO’s remuneration in 2020

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 addition to the basic salary, the CEO did not have any performance-based or other short or long-term incentive schemes (possible variable part).

Remuneration paid and due to the CEO for the financial year 2020:

Remuneration paid to the CEO 2020

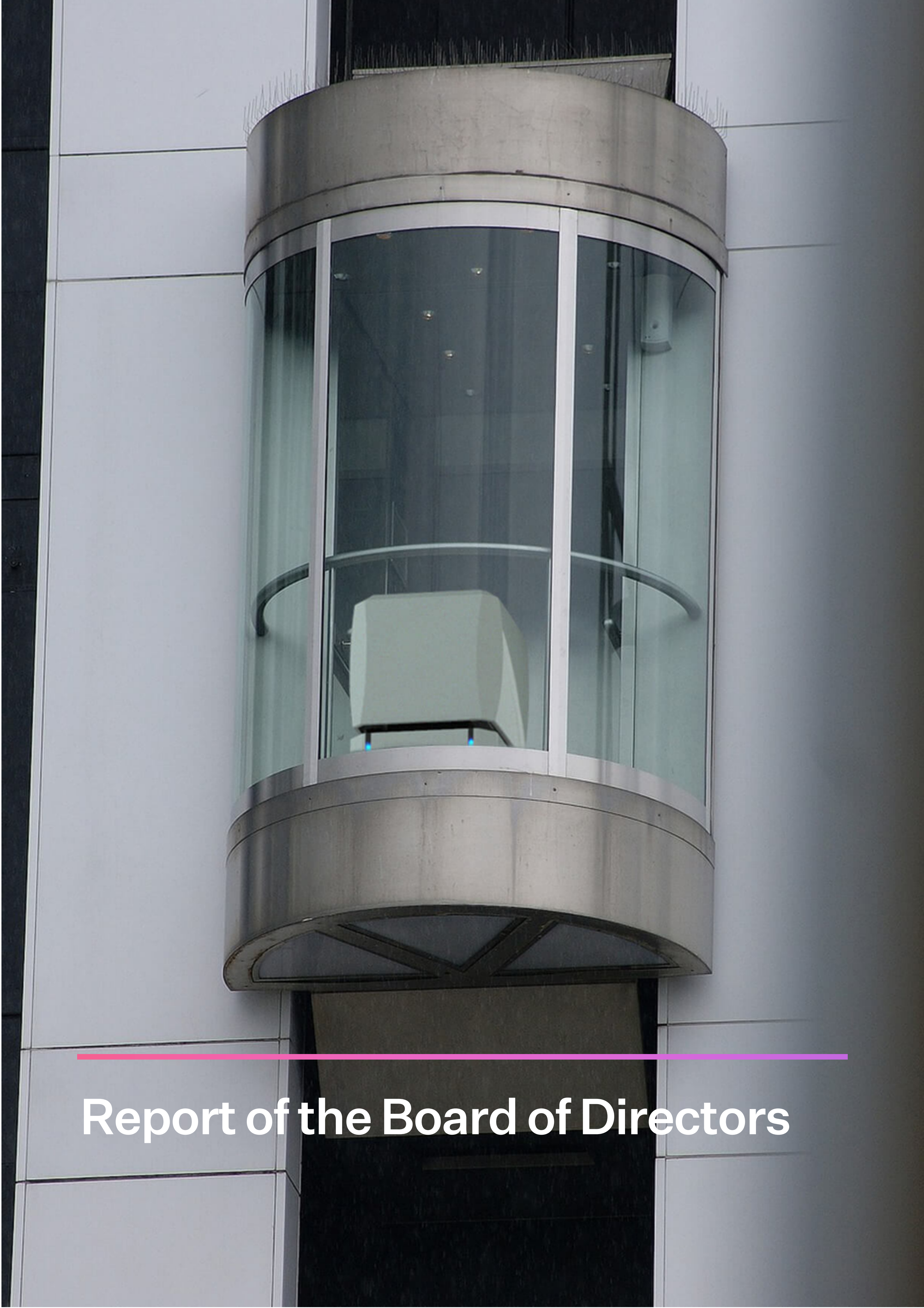
TEUR	Fixed Annual Remuneration	Total
Väätäinen Olli	290	290

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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Company performed very well in a changed market situation

Solteq Group's comparable revenue grew clearly and the improvement in profit was significant. Solteq Group's comparable revenue was EUR 60.5 million – when the absence of the SAP ERP business is taken into account – up by 9.3 percent. The Group's comparable operating profit was EUR 5.8 million, up by 124.1 percent year-on-year. The comparable operating profit margin was 9.6 percent. The Company's comparable EBITDA increased by 64.2 percent year-on-year to EUR 10.8 million. Solteq Group's comparable EBITDA margin was 17.9 percent.

Effective from the beginning of the year, the new segmentation restructured the Company into two business segments: Solteq Software (software business) and Solteq Digital (services business). The Software segment accounted for about a third and the Digital segment about two thirds of the Group's revenue. Both segments performed well, as expected. Revenue from international subsidiaries accounted for 20.6 percent of consolidated revenue, which – due to the COVID-19 pandemic – was slightly below expectations.

Solteq Software business grew during the financial year. The segment's long-term financial goal is to grow by at least 20 percent a year. Success was driven by Utilities business area with its order intake of EUR 22 million. Solteq Digital performed consistently well, thanks to the customer orders secured prior to the pandemic. Investments in the Company's product development amounted to around EUR 3 million.

The Company monitored and assessed the impact of the COVID-19 pandemic on its business throughout the year. The pandemic had only minor negative impact in Finland, mainly affecting 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 in the early stages of the pandemic.

The Company issued a new bond on October 1, 2020, using the assets obtained to redeem a bond that would have matured on July 1, 2021. A new, fixed rate and unsecured senior bond worth EUR 23.0 million was admitted to public trading on Nasdaq Helsinki Ltd on October 5, 2020. The Company used the new bond to secure its long-term financing and going concern.

Solteq Group's business outlook is good both in Finland and internationally. Driven by the Utilities business, Solteq Software is expected to continue its upward growth trend. The business outlook for Solteq Digital is expected to remain stable despite the pandemic. 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.

Markets and operating environment

Solteq primarily operates with selected solutions in chosen sectors of the Nordic IT services and software market. The markets offer good prospects for positive business development – despite the general uncertainty created by the COVID-19 pandemic. A market research company IDC forecasts that companies are on their way to meet their 'digital destiny'. IDC estimates that 65 percent of global GDP will be digitized by 2022, as most products and services are based on a delivery model or require digital augmentation to remain competitive. IDC forecasts that global IT spending will reach 6,800 billion dollars by 2023.

The digital services and software products provided by the Company comprehensively cover trends that are expected to strengthen in the future. According to a recent report by Gartner, IT decision-makers in the Nordics are expected to increase their investments during 2021 particularly in terms of data utilization, cloud technology, the development of digital business, process automation, artificial intelligence, and machine learning.

Solteq offers industry-specific solutions for trade, manufacturing industry, car retail, utilities sector, hotel and restaurant business, and public sector. The Company has a significant competitive edge based on long-term experience of the industry-specific needs. Demand continues to grow in these sectors for solutions that digitalize core operations and make use of artificial intelligence, data, automation and seamless omnichannel systems. The negative impact of the COVID-19 pandemic is expected to occur during the first half of the year, affecting customer projects in the travel, restaurant, and leisure sectors.

The digitalizing energy sector is one of the Company’s key drivers for growth in the Nordics. Demand for digital expert services and solutions is being increased by statutory obligations to renew data systems. Gartner forecasts that short-term IT investments will grow by 4.8 percent in the Utilities sector in Western Europe. Solteq specializes in software and IT services in the industry, which has quickly raised the Company into a strong market position. Solteq has also expanded its Utilities sector operations to Sweden, where the energy sector is awaiting the development and confirmation of a more detailed timetable for a centralized information-exchange system project, similar to Datahub in Finland.

The Company will continue to invest in its own product development, in which the autonomous robotics solutions for retail trade and indoor logistics play a key role. Gartner predicts that autonomous solutions will soon become more common in a wide range of industries. The market research company forecasts growing use of autonomous robotics in US retail stores, from the current level of around one percent to 60 percent by 2025. Research company ROBO Global expects fast adoption of autonomous robotics solutions by logistics and warehouse centers due to the transformation of delivery chains and the rapid growth in online shopping. Solutions making use of automation and robotics are also expected to become more common in construction as well: Research and consulting company MarketsandMarkets expects demand to increase at an annual rate of 10 percent, while investments will reach USD 121.5 billion by 2024.

IT sector players are expected to provide more agile and scalable delivery models. Solteq meets expectations with an organization that makes use of agile methods and by focusing on the as-a-Service (aaS) model and its own software products.

Profit guidance 2021

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

Key figures

	2020	2019	Change-% 2020-2019	2018
Revenue, TEUR	60,452	58,291	3.7	56,867
Comparable revenue, TEUR	60,452	55,293	9.3	56,867
EBITDA, TEUR	10,380	9,714	6.9	4,766
Comparable EBITDA, TEUR	10,810	6,582	64.2	5,417
Operating profit, TEUR	5,350	5,711	-6.3	2,466
Comparable operating profit, TEUR	5,780	2,579	124.1	3,117
Profit for the financial period, TEUR	1,980	2,803	-29.4	356
Earnings per share, EUR	0.10	0.15	-29.4	0.02
Operating profit, %	8.9	9.8		4.3
Comparable operating profit, %	9.6	4.7		5.5
Equity ratio, %	35.5	32.0		32.4

Revenue and profit

Revenue increased by 3.7 percent compared to the previous year and totaled EUR 60,452 thousand (58,291). The increase in comparable revenue – factoring in the absence of the SAP ERP business – is 9.3 percent.

Operating profit for the review period was EUR 5,350 thousand (5,711). Comparable operating profit was EUR 5,780 thousand (2,579).

Profit before taxes was EUR 2,737 thousand (3,679) and the profit for the financial period was EUR 1,980 thousand (2,803).

Solteq Digital

Solteq Digital performed well, with the impact of the COVID-19 pandemic being offset by a good number of customer orders secured prior to the pandemic. The segment's comparable revenue was EUR 41,610 thousand (38,197), with growth – when the absence of SAP ERP business is taken into account – of 8.9 percent. The profitability remained on a good level: comparable EBITDA was EUR 6,236 thousand (3,871) and comparable operating profit EUR 3,499 thousand (1,199). Comparable EBITDA increased by 61.1 percent and comparable operating profit by 191.7 percent.

The segment's business consists of three solution areas: commercial solutions, data-driven solutions, and business solutions. During 2020, 43.1 percent of the segment's revenue derived from commercial solutions, 22.6 percent from data-driven solutions, and 34.3 percent from business solutions.

Solteq Digital's sales figures of 2020 fell somewhat short of the expectations from earlier in the year as the pandemic hit the travel, restaurant, and leisure sector customer projects the hardest. Demand nevertheless remained healthy in the segment's key business areas, such as eCommerce solutions and the retail business.

During the current financial year, the segment's business outlook is expected to remain stable.

Solteq Software

Solteq Software's revenue was EUR 18,842 thousand (17,095), up by 10.2 percent. Comparable EBITDA was EUR 4,574 thousand (2,711) and comparable operating profit EUR 2,281 thousand (1,379). The Utilities business made a particularly strong contribution to the good performance of the fiscal year.

The segment's business primarily consists of the Utilities business and the Retail sector's software and services. The Utilities business area contributed 44.3 percent and the Retail business 46.3 percent of the segment's revenue. The COVID-19 pandemic decelerated new business efforts of Retail solutions within the travel, restaurant, and leisure sectors.

During 2020, the Utilities business signed several customer delivery contracts, in total worth over EUR 22 million, including various contract options. In addition, the first Utilities customer deliveries were carried out in Estonia and Sweden at the end of the year. Due to the new customer contracts, the Company achieved a significant position as a provider of customer information systems and online services in the Utilities sector.

In the autonomous robotics business area, the Company formed Intelligent Sustainable Urban Flows consortium together with KONE Corporation and Lassila & Tikanoja Plc. The project started in August 2020. The consortium aims to develop increasingly intelligent and automated solutions for the internal logistics on large real estate. Business Finland granted Solteq a EUR 800 thousand grant to carry out the two-year project.

Towards the end of the year, the first commercial Solteq Retail Robot pilot project was launched together with a Finnish retail chain. The Company will continue to investigate the possibility of incorporating the Solteq Robotics business area.

The share of recurring revenue accounted for 24 percent of the segment's revenue. This was lower than the Company's previous estimates, owing to high invoicing for 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 3,035 thousand in product development. Going forward, product development investments are expected to be less than EUR 2,500 thousand in 2021.
The business outlook for the Solteq Software segment is expected to remain positive.

Balance sheet and finance

Total assets amounted to EUR 74,681 thousand (76,980). Liquid assets totaled EUR 4,877 thousand (3,648). The Company has a standby credit limit of EUR 4,000 thousand, which at the end of the review period was unused. At the end of the comparison period, EUR 2,000 thousand of the standby credit limit was in use. The Company also has a bank account credit limit of EUR 2,000 thousand which was unused at the end of both the review and the comparison periods. At the end of the review period, the Company had a EUR 1,463 thousand Business Finland loan for product development (1,201).

The Group's interest-bearing liabilities were EUR 31,371 thousand (35,167). Solteq Group's equity ratio was 35.5 percent (32.0).

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.

Solteq announced on September 24, 2020 that it was issuing a new unsecured senior fixed interest rate bond with a nominal value of EUR 23.0 million and voluntarily redeeming the bond that would mature on July 1, 2021. After the review period, the new bond was issued on October 1, 2020, and the proceeds obtained from it were used to redeem the old bond on October 13, 2020. 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.
The terms of the bond issued in 2015 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 3.50:1.

As to the new bond, issued on October 1, 2020, the financial covenants concerning the distribution of funds and incurring financial indebtedness other than permitted under the terms of the bond are the same as previously, but the Group's net interest-bearing debt to EBITDA ratio should not exceed 4:1.

Investment, research, and development

The net investments during the review period were EUR 5,456 thousand (4,632). During the review period, EUR 3,035 thousand (3,882) 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 2,421 thousand (2,216). Other investments include the net change in rented premises and equipment, totaling EUR 2,201 thousand.

Capitalized development costs include EUR 1,992 thousand (2,874) of staff costs.

Personnel

The number of permanent employees at the end of the review period was 597 (598).

	2020	2019	2018
Average number of personnel during the financial period	593	597	567
Employee benefit expenses, TEUR	31,379	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 attachment 30.

Shares, shareholders and treasury shares

Solteq Plc's share capital on December 31, 2020 was EUR 1,009,154.17 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 EUR 0.6 million 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 Nasdaq Helsinki Ltd was 6.7 million shares (0.8) and EUR 13.1 million (1.2). The highest rate during the review period was EUR 3.70 and lowest rate EUR 0.96. The weighted average rate of the share was EUR 1.95 and end rate EUR 2.80. The market value of the Company's shares at the end of the review period totaled EUR 54.1 million (28.8).

Ownership

At the end of the review period, Solteq had a total of 3,390 shareholders (2,209). Solteq's 10 largest shareholders owned 13,296 thousand shares i.e. they owned 68.9 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, 2020 (592).

Distribution of holdings and shareholder information

Distribution of holdings by sector December 31, 2020

	Number of owners		Shares and votes	
	PCS	**%**	**PCS**	**%**
Private companies	100	2.9	2,714,359	14.1
Financial and insurance institutions	9	0.3	5,428,619	28.1
Public sector organizations	2	0.1	3,245,597	16.8
Households	3,264	96.3	7,642,225	39.6
Non-profit organizations	2	0.1	231	0.0
Foreign owners	13	0.4	275,496	1.4
Total	**3,390**	**100.0**	**19,306,527**	**100.0**
Total of nominee registered	9	0.3	629,360	3.3

Distribution of holdings by number of shares December 31, 2020

	Number of owners		Shares and votes	
Number of shares	**PCS**	**%**	**PCS**	**%**
1 - 100	941	27.8	48,976	0.3
101 - 1 000	1,718	50.7	806,448	4.2
1 001 - 10 000	640	18.9	1,911,230	9.9
10 001 - 100 000	75	2.2	2,118,942	11.0
100 001 - 1 000 000	11	0.3	3,090,156	16.0
1 000 000 -	5	0.1	11,330,775	58.7
Total	**3,390**	**100.0**	**19,306,527**	**100.0**
of which nominee registered	9	0.3	629,360	3.3

Major shareholders December 31, 2020

		Shares and votes	
		number	**%**
1.	Sentica Buyout III Ky	4,621,244	23.94
2.	Profiz Business Solution Oy	2,060,769	10.67
3.	Elo Mutual Pension Insurance Company	2,000,000	10.36
4.	Saadetdin Ali	1,403,165	7.27
5.	Varma Mutual Pension Insurance Company	1,245,597	6.45
6.	Aalto Seppo Tapio	730,000	3.78
7.	Roininen Matti Juhani	430,000	2.23
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		13,295,824	68.87
Total of nominee-registered		629,360	3.26
Others		5,381,343	27.87
Total		**19,306,527**	**100.00**

Annual General meeting

Solteq’s Annual General Meeting on June 10, 2020 approved the financial statement for period January 1–December 31, 2019 and discharged the CEO and the Board of Directors from liability.

The Board of Directors' proposal of to the Annual General Meeting that no dividend will be paid from the financial year ended on December 31, 2019 was accepted.

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

The maximum total amount of shares or other rights is 3,000,000. 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, 2021 (April 30, 2021 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 2,000,000 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, 2021 (April 30, 2021 included).

Board of Directors and auditors

The Annual General Meeting on June 10, 2020 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, 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 Petri Sammalisto, APA, acting as the chief auditor.

Other events during the review period

On March 23, Solteq Plc announced that the Annual General Meeting scheduled for April 1, 2020 will be cancelled and moved to another date to be announced later.

On April 3, Solteq Plc announced that, for the time being, the Company cancels its guidance for the financial year 2020 due to the uncertainty on the markets caused by the COVID-19 pandemic.

On April 6, Solteq Plc announced that it considers requesting an amendment to the terms and conditions of its EUR 27.0 million bond in a written procedure.

On April 20, Solteq Plc released comparable data for the financial year 2019 based on its new reporting structure.

On April 21, Solteq Plc announced a written procedure to amend the terms and conditions of its EUR 27.0 million senior unsecured fixed rate bond due 2020.

On April 28, Solteq Plc announced that it has signed delivery and service agreements worth around EUR 8.0 million (including options) with the energy industry.

On April 29, Solteq Plc announced that the Board of Directors has decided to change the proposal for the distribution of dividend.

On May 18, Solteq Plc announced that it has successfully completed a written procedure in order to amend the terms and conditions of its bond.

On August 20, Solteq Plc announced that Ilkka Brander, member of Executive Team of Solteq Plc and EVP of Solteq Software segment, has announced his resignation in order to assume a new position outside of Solteq.

On September 15, Solteq Plc announced that it considers the issuance of new euro-denominated senior unsecured fixed rate bond with a nominal value of approximately EUR 25.0 million.

On September 24, Solteq Plc announced that it issues a new euro-denominated senior unsecured fixed rate bond with a nominal value of EUR 23.0 million and redeems its unsecured fixed rate bond with maturity in 2021 on October 13, 2020.

On September 30, Solteq Plc announced that it has signed an agreement to provide a Finnish customer with a comprehensive customer service system. The value of the agreement is over EUR 5.5 million.

On October 1, Solteq Plc announced that the Finnish Financial Supervisory Authority has approved the listing prospectus of the new bond. The new bond will mature on October 1, 2024, bear a fixed interest rate of 6.00 percent per annum and be callable before its final maturity.

Events after the reporting period

The Company's management is not aware of any events of material importance after the reporting 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.

The Company issued a new bond and voluntarily redeemed a bond maturing in 2021. The new, fixed rate and unsecured senior bond in a nominal amount of EUR 23.0 million will mature on October 1, 2024. The Company used the new bond to secure its long-term financing and going concern.

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 the level of costs, developing Company's own products and their commercialization, and the Company's capability to manage extensive customer contracts 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.

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.

Impairment tests of goodwill and capitalized development costs were performed during the last quarter of the financial year 2020. No need for impairment was identified, but a clear margin was left for each tested unit and project. No impairment losses were recognized in 2020 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 2021 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 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 in the final quarter of the 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 credit limit, both unused at the end of the review period on December 31, 2020. 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 the financial year 2020, the distributable equity of the Group's Parent Company is EUR 19,592,728.08.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.15 per share be paid for the financial year 2020.

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 outlining the Group's financial development	**2020**	**2019**	**2018**	**2017 ****	**2016**
Revenue, MEUR	60.5	58.3	56.9	50.7	63.1
Change in revenue, %	3.7	2.5	12.1	-0.2	16.3
Operating profit, MEUR	5.4	5.7	2.5	0.3	6.4
% of revenue	8.9	9.8	4.3	0.6	10.2
Result before taxes, MEUR	2.7	3.7	0.6	-1.5	4.7
% of revenue	4.5	6.3	1.1	-2.9	7.5
Return on equity, %	7.8	12.1	1.7	-7.3	25.8
Return on investment, %	9.1	10.4	5.2	0.8	14.6
Equity ratio, %	35.5	32.0	32.4	33.7	33.5
Net investments in non-current assets, MEUR	5.5	4.6	8.3	6.1	-0.2
% of revenue	9.0	7.9	14.6	11.9	0.3
Research and development costs, MEUR	3.0	3.9	2.3	1.8	0.8
% of revenue	5.0	6.7	4.0	3.6	1.3
Net debt, MEUR	26.5	31.5	22.9	24.3	17.3
Gearing, %	99.9	128.5	105.1	118.5	85.0
Average number of employees over the financial period	593	597	567	485	454

Group's key figures per share	**2020**	**2019**	**2018**	**2017 ****	**2016**
Earnings per share, EUR	0.10	0.15	0.02	-0.08	0.26
Equity per share, EUR	1.37	1.27	1.13	1.10	1.20
Dividends per share, EUR*	0.15	0.00	0.00	0.00	0.05
Dividend from result, % *	146.3	0.0	0.0	0.0	19.2
Effective dividend yield, % *	5.4	0.0	0.0	0.0	3.1
Price–earnings ratio (P/E)	27.3	10.3	70.1	-19.0	6.2
Highest share price, EUR	3.70	1.65	1.64	1.76	1.96
Lowest share price, EUR	0.96	1.27	1.26	1.44	1.50
Average share price, EUR	1.95	1.44	1.49	1.64	1.70
Market value of the shares, TEUR	54,058	28,767	25,098	28,390	28,477
Shares trade volume, 1,000 pcs	6,720	808	827	1,672	1,717
Shares trade volume, %	34.8	4.2	4.3	9.2	9.7
Weighted average of the share issue corrected number of shares during the financial period, 1,000 pcs	19,307	19,307	19,202	18,197	17,639
Number of shares corrected by share issue at the end of the financial period, 1,000 pcs	19,307	19,307	19,202	18,197	17,639

When calculating the number of shares, the number of own shares retained by the Company has been deducted from the number of shares, except the own shares related to the ongoing directed share issues as presented in the financial statements 2016.
* 2020 proposal by the Board of Directors
** The Company has taken the IFRS 15 standard into use on 1 January 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 revenue

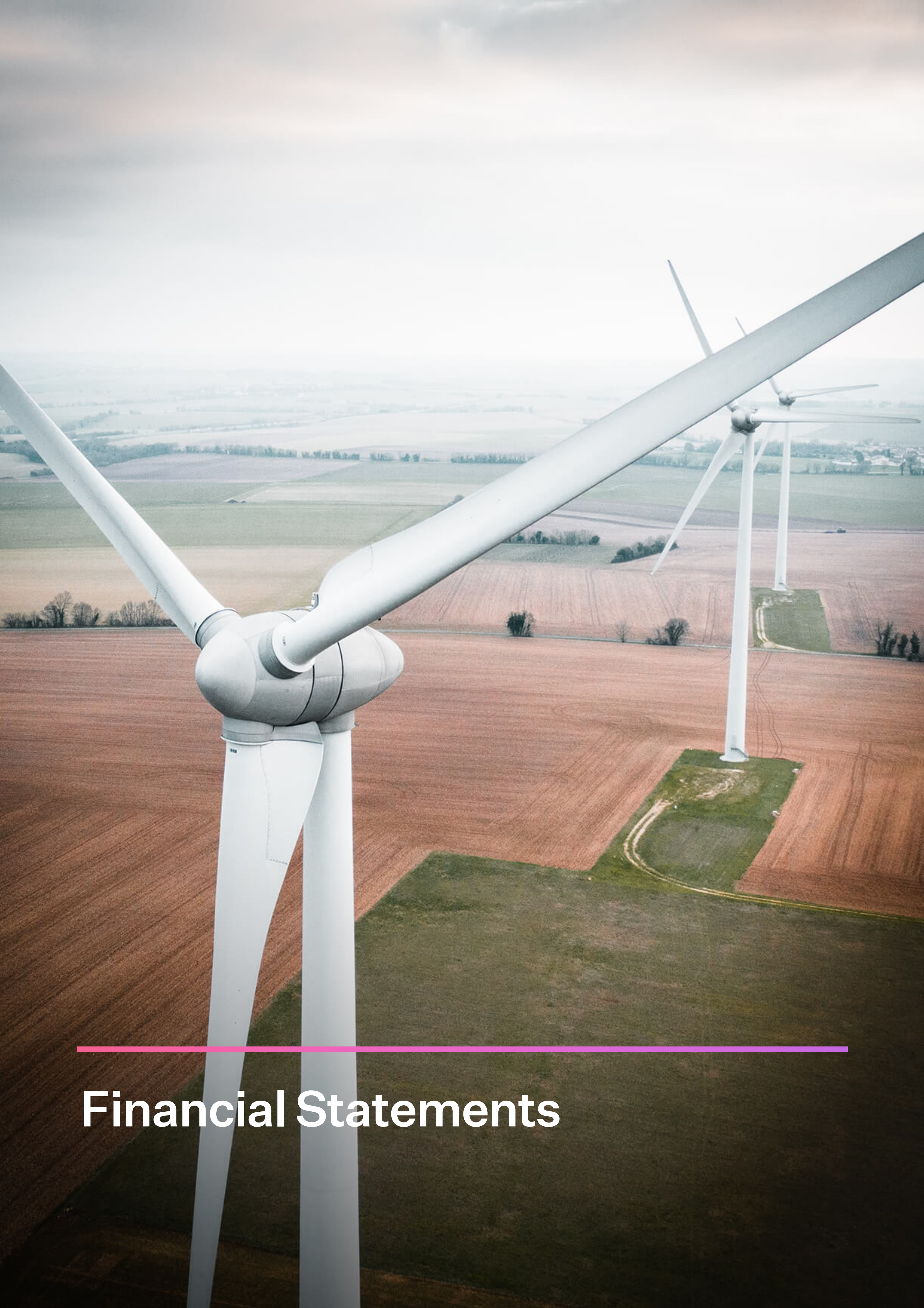
The reconciliation of the comparable revenue to revenue is presented in the table below.

TEUR	2020	2019
Revenue	**60,452**	**58,291**
Items affecting comparability		
SAP ERP business transfer agreement		-2,998
Total items affecting comparability	**0**	**-2,998**
Comparable revenue	**60,452**	**55,293**

Comparable operating profit (EBIT)

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

TEUR	2020	2019
Operating profit (EBIT)	**5,350**	**5,711**
Items affecting comparability		
SAP ERP business transfer agreement		-3,479
Cost of integrating the acquired business		72
Non-recurring severance packages	430	39
Damages from completed customer projects		98
Costs incurred by the re-organization of operations		138
Total items affecting comparability	**430**	**-3,132**
Comparable operating profit (EBIT)	**5,780**	**2,579**



Financial Statements

Consolidated statement of comprehensive income – Group and Parent Company

TEUR	Notes	Group		Parent Company	
		1 Jan 2020 - 31 Dec 2020	1 Jan 2019 - 31 Dec 2019	1 Jan 2020 - 31 Dec 2020	1 Jan 2019 - 31 Dec 2019
Revenue	1.4	60,452	58,291	51,832	49,756
Other income	5	279	2,594	629	2,921
Materials and services		-5,936	-5,440	-6,455	-5,993
Employee benefit expenses	8	-36,891	-36,757	-29,719	-30,082
Other expenses	6, 9	-7,523	-8,974	-6,393	-7,846
Depreciations and impairments	7	-5,030	-4,003	-4,243	-3,380
Operating profit		**5,350**	**5,711**	**5,652**	**5,377**
Financial income	10	370	197	46	21
Financial expenses	11	-2,982	-2,229	-2,484	-1,949
Profit before taxes		**2,737**	**3,679**	**3,214**	**3,448**
Income taxes	12	-757	-876	-665	-799
Profit for the financial period		**1,980**	**2,803**	**2,549**	**2,650**
Other comprehensive income to be reclassified to profit or loss in subsequent periods					
Currency translation differences		1	-44		
Other comprehensive income			-29		
Other comprehensive income, net of tax		1	-73		
Total comprehensive income		**1,981**	**2,731**	**2,549**	**2,650**
Earnings per share attributable to equity holders of the Parent					
Earnings per share, EUR (undiluted)		0.10	0.15	0.13	0.14
Earnings per share, EUR (diluted)		0.10	0.15	0.13	0.14

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

Consolidated statement of financial position – Group and Parent Company

TEUR	Notes	Group		Parent Company	
		31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Assets					
Non-current assets					
Tangible assets	14	433	654	406	602
Right-of-use assets	14	6,933	7,298	4,932	6,614
Intangible assets					
Goodwill	14	38,949	38,840		
Other intangible assets	15	11,277	10,151	44,634	43,536
Other investments	16	441	481	455	496
Shares in subsidiaries	30			7,915	7,596
Trade and other receivables	19	158	108	255	189
Non-current assets total		**58,190**	**57,531**	**58,597**	**59,034**
Current assets					
Inventories	18	74	164	46	43
Trade and other receivables	19	11,540	15,638	10,161	14,287
Cash and cash equivalents	20	4,877	3,648	2,681	2,007
Current assets total		**16,492**	**19,449**	**12,888**	**16,338**
Total assets		**74,681**	**76,980**	**71,485**	**75,371**
Equity and liabilities					
Equity attributable to equity holders of the Parent Company					
Share capital	21	1,009	1,009	1,009	1,009
Share premium reserve	21	75	75	75	75
Distributable equity reserve	21	12,910	12,910	14,024	14,024
Retained earnings	21	12,515	10,533	13,229	10,680
Total equity		**26,509**	**24,528**	**28,338**	**25,789**
Non-current liabilities					
Deferred tax liabilities	17	567	588	406	478
Financial liabilities	24	24,138	1,201	24,138	1,201
Lease liabilities	24	4,830	5,156	3,222	4,782
Non-current liabilities total		**29,536**	**6,945**	**27,767**	**6,461**
Current liabilities					
Financial liabilities	24		26,461		26,459
Trade and other payables	25	16,173	16,657	13,456	14,650
Provisions	23	61	41	61	41
Lease liabilities	24	2,402	2,349	1,863	1,972
Current liabilities total		**18,636**	**45,508**	**15,380**	**43,121**
Total liabilities		**48,173**	**52,453**	**43,147**	**49,583**
Total equity and liabilities		**74,681**	**76,980**	**71,485**	**75,371**

Consolidated statement of cash flows – Group and Parent Company

TEUR	Notes	Group		Parent Company	
		1 Jan 2020 - 31 Dec 2020	1 Jan 2019 - 31 Dec 2019	1 Jan 2020 - 31 Dec 2020	1 Jan 2019 - 31 Dec 2019
Cash flow from operating activities					
Profit for the financial period		1,980	2,803	2,549	2,650
Adjustments for operating profit	27	7,574	3,732	6,391	2,976
Changes in working capital		-60	-595	-912	-362
Interests paid		-3,218	-1,829	-3,099	-1,778
Interests received		25	16	36	16
Net cash from operating activities		**6,302**	**4,128**	**4,965**	**3,502**
Cash flow from investing activities					
Disposal of other shares and holdings		38		38	
Divested businesses		4,071		4,071	
Investments in tangible and intangible assets		-3,477	-4,668	-3,145	-4,286
Net cash used in investing activities		**631**	**-4,668**	**964**	**-4,286**
Cash flow from financing activities					
Long-term loans, increase		23,262	1,201	23,262	1,201
Short-term loans, increase			3,595		3,595
Short-term loans, decrease		-26,500	-3,595	-26,500	-3,595
Payment of lease liabilities	24	-2,465	-2,361	-2,016	-1,912
Net cash used in financing activities		**-5,704**	**-1,160**	**-5,255**	**-712**
Changes in cash and cash equivalents		**1,230**	**-1,700**	**674**	**-1,495**
Cash and cash equivalents at the beginning of period		3,648	5,347	2,007	3,502
Cash and cash equivalents at the end of period	20	**4,877**	**3,648**	**2,681**	**2,007**

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

TEUR	Group 2020	2019	Parent Company 2020	2019
Cash and cash equivalents	4,877	3,648	2,681	2,007
Total	**4,877**	**3,648**	**2,681**	**2,007**

Consolidated statement of changes in equity – Group and Parent Company

Group

TEUR	Share capital	Share premium account	Invested unrestricted equity reserve	Currency translation difference	Retained earnings	Total
Equity 1 Jan 2019	**1,009**	**75**	**12,910**	**-56**	**7,859**	**21,797**
Profit for the financial period					2,803	2,803
Other items on comprehensive income				-44	-29	-73
Total comprehensive income	**0**	**0**	**0**	**-44**	**2,775**	**2,731**
Equity 31 Dec 2019	**1,009**	**75**	**12,910**	**-100**	**10,633**	**24,528**
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**

Parent Company

TEUR	Share capital	Share premium account	Invested unrestricted equity reserve	Retained earnings	Total
Equity 1 Jan 2019	**1,009**	**75**	**14,024**	**8,032**	**23,139**
Total comprehensive income				**2,650**	**2,650**
Equity 31 Dec 2019	**1,009**	**75**	**14,024**	**10,680**	**25,789**
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**

Notes to consolidated financial statements – Group and Parent Company

Group information

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

The Group's Parent Company is Solteq Plc, whose business ID is 0490484-0. Solteq Plc is a Finnish public limited Company whose shares are quoted on Nasdaq Helsinki Ltd. The Company is domiciled in Vantaa, 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 24 February 2021. 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.

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

Accounting policies

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 31 December 2020. International Financial Reporting Standards mean the standards and their interpretations that have been approved for adoption in the EU in accordance with the procedure No. 1606/2002 enacted in the Finnish Accounting Act and EU (EC) regulations laid down by the Act. The notes to the consolidated financial statements are also in accordance with the requirements of the Finnish Accounting and Companies legislation.

The Group accounting policies described here are applied to both the Group financial statement as well as to the Parent Company financial statement, unless otherwise mentioned. In addition to this, the term "Company" refers to both the Group as well as the Parent Company.

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.

The preparation of the financial statement in accordance with the IFRS standards requires the Group management to make certain estimates and assumptions that affect the application of accounting policies. Information of these considerations that the management has used in applying accounting policies and which have the most effect in the figures shown in the financial statement, have been presented in the section "Accounting policies requiring management judgement and significant uncertainties relating to accounting estimates".

New and amended standards applied in financial year

Group has applied as from 1 January 2020 the following new and amended standards that have come into effect:

Amendments to References to Conceptual Framework in IFRS Standards (effective for financial years beginning on or after 1 January 2020)

The revised Framework codifies IASB's thinking adopted in recent standards. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs. However, the amendment does not have a material impact on the consolidated financial statements.

Definition of a Business – Amendments to IFRS 3 Business Combinations (effective for financial years beginning on or after 1 January 2020)

The amendments narrowed and clarified the definition of a business. They also permit a simplified assessment of whether an acquired set is a group of assets rather than a business. However, the amendment does not have a material impact on the consolidated financial statements.

Definition of Material – Amendments to IAS 1 Presentation of Financial Instruments and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for financial years beginning on or after 1 January 2020)

The amendments clarify the definition of material and include guidance to help improve consistency in the application of that concept across all IFRS Standards. In addition, the explanations accompanying the definition have been improved. However, the amendment does not have a material impact on the consolidated financial statements.

Interest Rate Benchmark Reform – Phase 1 – Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures (effective for financial years beginning on or after 1 January 2020)

Amendments have been issued to address uncertainties related to the reform of interbank offered rates (IBOR). The amendments provide targeted relief for financial instruments qualifying for hedge accounting in the lead up to IBOR reform. However, the amendment does not have a material impact on the consolidated financial statements.

Subsidiaries

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.

Foreign currency items

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

Tangible assets

Property, plant, and equipment 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.

Intangible assets

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

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.

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

Research and development costs

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.

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. Grants that compensate for expenses incurred are recognized in the income statement when the expenses are recognized. These grants are presented in other income.

Lease agreements

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.

Impairment of 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.

Employee benefits

Pension liabilities

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.

Share-based payments

The Group has share and option-based incentive schemes in which payments are made in equity instruments or in cash. The benefits granted in the arrangements are measured at fair value at the granting date and recognized as expenses in profit or loss over the vesting period. In arrangements payable in cash, the liability to be recognized and the change in its fair value are correspondingly allocated as expenses. The impact of the arrangements on the financial result is presented under employee benefit expenses.

The expense determined at the time the options are granted is based on the Group's estimate of the number of options that are assumed to be exercised at the end of the vesting period. The Group updates the expected final number of options at the closing date of each reporting period. Changes in the estimates are recognized in profit or loss. The fair value of the option arrangements is determined by using the Black-Scholes option pricing model, and the value of the share-based incentive arrangements is based on market data. The assets acquired through share prescriptions, adjusted with transaction expenses, are recognized in the reserve for unrestricted equity or share capital in accordance with the terms and conditions of the arrangement.

Provisions and contingent liabilities

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.

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.

Income taxes

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.

Revenue recognition principles

Revenue from contracts with customers

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, HCL, 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.

Other operating income

In other operating income, the Company presents gains on the sale of fixed assets and revenue that is not related to the sale of actual service performance, such as lease income and government grants. Government grants are recognized in the income statement at the same time as the expenses the grants are intended to cover.

Interest income and dividends

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

Operating profit

The concept of operating profit is not defined in IAS 1 Presentation of Financial Statements. The Company has defined it as follows: operating profit is the net amount of revenue plus other operating income, less the consumption of materials and services, staff costs, depreciation and impairment and other expenses. All other income statement items are presented below operating profit.

Financial assets and liabilities

Financial assets

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.

Cash and cash equivalents

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.

Financial liabilities

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.

Borrowing costs

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.

Equity

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.

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.

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 in these financial statements. Recoverable amount of cash-generating units is defined with calculations based on value in use. These calculations require the use of estimates. Additional information about sensitivity analyses regarding changes in assumptions relating to recoverable amount are disclosed under note 15 Intangible assets.

Adoption of new and amended standards in future financial years

Solteq Plc has not yet adopted the following new and amended standards and interpretations already issued by the IASB. The Group will adopt them as of the effective date or, if the date is other than the first day of the financial year, from the beginning of the subsequent financial year.

* = not yet endorsed for use by the European Union as of 31 December 2020.

COVID-19-Related Rent Concessions – Amendment to IFRS 16 Leases
(effective for financial years beginning on or after 1 June 2020)

The amendment allows the lessees not to account for rent concessions as lease modifications if the concessions are a direct consequence of the COVID-19 pandemic and only if certain conditions are met. However, the amendment does not have a material impact on the consolidated financial statements.

Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases* (to be applied from 1 January 2021)

Amendments address issues affecting financial statements when changes are made to contractual cash flows and hedging relationships as a result of interest rate benchmark reform. Amendments assist companies in providing useful information about the effects of interest rate benchmark reform on financial statements.

Property, Plant and Equipment — Proceeds before Intended Use – Amendments to IAS 16 Property, Plant and Equipment* (to be applied from 1 January 2022)

Under the amendments, proceeds from selling items before the related item of PPE is available for use should be recognized in profit or loss, together with the costs of producing those items.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets* (to be applied from 1 January 2022)

When an onerous contract is accounted for based on the costs of fulfilling the contract, the amendments clarify that these costs comprise both the incremental costs and an allocation of other direct costs.

Annual Improvements to IFRS Standards 2018–2020 * (to be applied from 1 January 2022)

The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The amendments clarify the following standards:

- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter: This amendment simplifies the application of IFRS 1 for a subsidiary that becomes a first-time adopter later than its parent – a subsidiary may elect to measure cumulative translation differences at amounts included in the consolidated financial statements of the parent.
- IFRS 9 Financial Instruments – Fees in the '10 percent' test for derecognition of financial liabilities: This amendment clarifies that – for the purpose of performing the ''10 percent test' for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or

received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.
- IFRS 16 Leases – Lease incentives – Example 13. The amendment removes the illustration of payments from the lessor relating to leasehold improvements. The example was not clear as to why such payments are not a lease incentive.
- IAS 41 Agriculture – Taxation in fair value measurements. This amendment removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in IAS 41 with those in IFRS 13 Fair Value Measurement. When a present value technique is used to measure fair value, the assumptions used for the cash flows and discount rates should be internally consistent – i.e. using either after tax or pre-tax for both.

Classification of Liabilities as Current or Non-current - Amendments to IAS 1 Presentation of Financial Statements * (to be applied from 1 January 2023)

The amendments are to promote consistency in application and clarify the requirements on determining if a liability is current or non-current.

IFRS 17 Insurance Contracts * (to be applied from 1 January 2023)

The new standard for insurance contracts will help investors and others better understand insurers' risk exposure, profitability and financial position. This standard replaces IFRS 4 standard.

1. Segment reporting

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

The Group changed its segment structure January 1, 2020 to create a better match with the Group's business structure and revenue sources and to promote business growth, particularly in international markets. Going forward, in 2020 Solteq Group will have two business segments: Solteq Software (software business) and Solteq Digital (services business).

In the previous reporting structure, the Group's business was presented as a single segment. The new structure divides Solteq's business areas into distinct reportable segments, in accordance with their revenue models. The segment reporting is based on the internal reporting provided to management.

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.

	2020			2019		
TEUR	Solteq Digital	Solteq Software	Group	Solteq Digital	Solteq Software	Group
Revenue	41,610	18,842	60,452	41,195	17,095	58,291
EBITDA	5,856	4,524	10,380	7,072	2,642	9,714
EBITDA, %	14.1	24.0	17.2	17.2	15.5	16.7
Depreciations and impairments	-2,737	-2,293	-5,030	-2,671	-1,332	-4,003
Operating profit	3,119	2,231	5,350	4,401	1,311	5,711
Operating profit, %	7.5	11.8	8.9	10.7	7.7	9.8
Financial income and expenses			-2,613			-2,032
Profit before taxes			2,737			3,679
Income taxes			-757			-876
Profit for the financial period			1,980			2,803

Comparable revenue, EBITDA, and operating profit

	2020			2019		
TEUR	Solteq Digital	Solteq Software	Group	Solteq Digital	Solteq Software	Group
Revenue	**41,610**	**18,842**	**60,452**	**41,195**	**17,095**	**58,291**
Items affecting comparability						
SAP ERP business transfer agreement				-2,998		-2,998
Total items affecting comparability	**0**	**0**	**0**	**-2,998**	**0**	**-2,998**
Comparable revenue	**41,610**	**18,842**	**60,452**	**38,197**	**17,095**	**55,293**
Comparable EBITDA*	**6,236**	**4,574**	**10,810**	**3,871**	**2,711**	**6,582**
Comparable EBITDA, %	15.0	24.3	17.9	10.1	15.9	11.9
Operating profit (EBIT)	**3,119**	**2,231**	**5,350**	**4,401**	**1,311**	**5,711**
Items affecting comparability						
SAP ERP business transfer agreement				-3,479		-3,479
Cost of integrating the acquired business				72		72
Non-recurring severance packages	380	50	430	39		39
Damages from completed customer projects				98		98
Costs incurred by the re-organization of operations				69	69	138
Total items affecting comparability	**380**	**50**	**430**	**-3,201**	**69**	**-3,132**
Comparable operating profit (EBIT)	**3,499**	**2,281**	**5,780**	**1,199**	**1,379**	**2,579**
Comparable operating profit, %	8.4	12.1	9.6	3.1	8.1	4.7

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

Revenue by country

TEUR	2020	2019
Finland	47,972	46,080
Other countries	12,479	12,211
Total	**60,452**	**58,291**

2. 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.

Impairment tests of goodwill and capitalized development costs were performed during the last quarter of the financial year 2020. No need for impairment was identified, but a clear margin was left for each tested unit and project. No impairment losses were recognized in 2020 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 2021 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 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 in the final quarter of the 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 credit limit, both unused at the end of the review period on December 31, 2020. 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.

3. Business combinations

There were no acquisitions during the financial year 2020 nor 2019.

4. Revenue from contracts with customers

TEUR	Group		Parent Company	
	2020	**2019**	**2020**	**2019**
Services	49,416	45,415	44,404	38,345
Revenue from long-term projects	4,419	5,922	2,753	5,637
Revenue from software licenses	6,339	6,386	4,486	5,433
Hardware sales	278	568	189	341
Total	**60,452**	**58,291**	**51,832**	**49,756**

Contract balances

	Group		Parent Company	
TEUR	**2020**	**2019**	**2020**	**2019**
Trade and other receivables	10,374	8,988	9,274	8,427
Contract assets	240	800	240	800
Contract liabilities	-312	-616	-203	-352

Contract assets

TEUR	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
Contract assets on Jan 1	**800**	**191**	**800**	**191**
Transfers from contract assets to receivables	-600		-600	
Increases as a result of changes in the measure of progress	40	609	40	609
Contract assets on Dec 31	**240**	**800**	**240**	**800**

Contract liabilities

TEUR	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
Contract liabilities on Jan 1	**-616**	**-1,163**	**-352**	**-968**
Revenue recognized from contract liabilities	581	1,094	317	900
Increases due to cash received, excluding amounts recognized as revenue during the period	-277	-548	-168	-283
Contract liabilities on Dec 31	**-312**	**-616**	**-203**	**-352**

The Group expects to meet a significant part of outstanding performance obligations during the reporting period 2021.

5. Other income

TEUR	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
One-time profit from business transfer		2,515		2,589
Other income	279	79	163	87
From Group companies, compensation for administration costs			467	245
Total	**279**	**2,594**	**629**	**2,921**

During the financial year, government grants totaling EUR 43 thousand (0) were recognized.

6. Other expenses

TEUR	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
Telephone and telecommunication costs	634	681	529	554
Voluntary personnel expenses	781	1,132	544	971
Rental and other office related expenses	1,227	941	946	743
Car and travel expenses	380	1,297	298	930
External services	2,248	3,056	2,202	3,025
Bad debts	105	5	105	3
Warranty provisions	20	17	20	17
Other expenses	2,127	1,845	1,749	1,603
Total	**7,523**	**8,974**	**6,393**	**7,846**

Lease expenses

TEUR	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
Depreciation of right-of-use assets	2,596	2,437	2,032	1,971
Interest expense from lease contracts	319	297	214	245
Costs from short-term lease contracts	19	63	19	63
Costs from low-value asset lease contracts	465	198	381	131
Total	**3,399**	**2,995**	**2,645**	**2,411**

Auditor's fees

TEUR	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
Auditing	122	116	84	80
Certificates and statements	6	2	6	2
Tax consulting	6	22	6	22
Other services	12	46	11	45
Total	**145**	**185**	**106**	**148**

The non-audit services charged by KPMG Oy Ab to Solteq Group companies in the financial year 2020 were EUR 16 thousand (66).

7. Depreciation, amortization, and impairment

TEUR	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
Depreciations by asset group				
Intangible assets				
Development costs	942	336	812	281
Intangible rights	1,099	981	1,029	916
Total	**2,041**	**1,317**	**1,841**	**1,197**
Tangible assets				
Machinery and equipment	245	247	222	211
Right of use asset depreciation	2,596	2,439	2,032	1,971
Total	**2,841**	**2,686**	**2,254**	**2,182**
Impairments *	**148**		**148**	
Total depreciations and impairments	**5,030**	**4,003**	**4,243**	**3,380**

* Mainly related to a disabled license

8. Employee benefit expenses

TEUR	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
Salaries and wages	31,379	30,951	25,264	25,121
Pension expenses - defined contribution plan	4,168	4,804	3,673	4,311
Other personnel expenses	1,344	1,002	781	650
Total	**36,891**	**36,757**	**29,719**	**30,082**
Average number of employees over the financial period	**593**	**597**	**460**	**481**

Information on management's employee benefits is presented in note 30 Related party transactions.

9. Research and development costs

The income statement includes EUR 209 thousand of research and development costs recognized as expense in 2020 (307).

10. Financial income

TEUR	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
Interest income	21	16	33	17
Foreign currency exchange income	345	177	10	
Other financial income		0		
Dividend income	4	4	4	4
Total	**370**	**197**	**46**	**21**

11. Financial expenses

TEUR	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
Interest expenses from financial expenses in amortized costs	1,652	1,619	1,652	1,608
Interest expense on lease liabilities	319	297	214	245
Foreign currency exchange expenses	392	230	13	14
Other financial expenses	619	83	606	83
Total	**2,982**	**2,229**	**2,484**	**1,949**

12. Income taxes

	Group		Parent Company	
TEUR	**2020**	**2019**	**2020**	**2019**
Tax based on the taxable income for the period	830	1,143	736	1,055
Taxes from previous periods	-28	2	2	-27
Deferred taxes	-44	-269	-72	-230
Total	**757**	**876**	**665**	**799**

	Group		Parent Company	
TEUR	**2020**	**2019**	**2020**	**2019**
Result before taxes	2,737	3,679	3,214	3,448
Taxes based on domestic tax rate	547	736	643	690
Difference in local tax rates	-4	22		
Non-deductible expenses	17	14	5	6
Exempt from taxes	-9			
Unrecognized deferred tax assets for unrealized losses	165	2		
Carry-forward of unused tax losses		-8		
Revaluation of deferred taxes	12	127	12	127
Other items	58	-19	3	2
Taxes from previous periods	-28	2	2	-27
Taxes on the income statement	**757**	**876**	**665**	**799**

13. Earnings per share

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. The Company had a stock option program for the key persons (announced 15 July 2016). The subscription period ended on December 31, 2019. No shares were subscribed during the subscription period, and the options expired.

	Group		Parent Company	
	2020	**2019**	**2020**	**2019**
Profit for the financial period attributable to equity holders of the Parent Company (TEUR)	1,980	2,803	2,549	2,650
Weighted average of the number of shares during the financial period (1,000)	19,307	19,307	19,307	19,307
Undiluted EPS (EUR/share)	0.10	0.15	0.13	0.14

14. Tangible assets and right-of-use assets

Tangible assets

Group

TEUR	Machinery and equipment	Other tangible assets	Prepayments and construction in progress	Total
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
Acquisition cost 1 Jan 2019	2,304	74		2,378
Additions	279	1	56	336
Disposals	-8	-26		-34
Acquisition cost 31 Dec 2019	**2,575**	**49**	**56**	**2,680**
Accumulated depreciation and impairment 1 Jan 2019	1,772	19		1,791
Depreciation	242	4		247
Accumulated depreciation on disposals	-11			-11
Accumulated depreciation and impairment 31 Dec 2019	**2,003**	**24**		**2,027**
Book value 1 Jan 2019	532	54		586
Book value 31 Dec 2019	572	25	56	654

Parent Company

TEUR	Machinery and equipment	Other tangible assets	Prepayments and construction in progress	Total
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**	**0**		**2,144**
Book value 1 Jan 2020	525	21	56	602
Book value 31 Dec 2020	329	21	56	406
Acquisition cost 1 Jan 2019	2,230	21		2,251
Additions	248		56	304
Acquisition cost 31 Dec 2019	**2,478**	**21**	**56**	**2,555**
Accumulated depreciation and impairment 1 Jan 2019	1,742			1,742
Depreciation	211			211
Accumulated depreciation and impairment 31 Dec 2019	**1,953**	**0**		**1,953**
Book value 1 Jan 2019	488	21		509
Book value 31 Dec 2019	525	21	56	602

Right-of-use assets

Group

TEUR	Premises	Machinery and equipment	Right-of-Use assets total
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
Acquisition cost 1 Jan 2019		5,793	5,793
IFRS 16 implementation	6,209	188	6,397
Additions *	1,050	720	1,770
Disposals	-145	-88	-233
Acquisition cost 31 Dec 2019	**7,114**	**6,613**	**13,727**
Accumulated depreciation and impairment 1 Jan 2019		4,003	4,003
Depreciation	1,671	765	2,437
Accumulated depreciation on disposals	-10		-10
Accumulated depreciation and impairment 31 Dec 2019	**1,661**	**4,768**	**6,429**
Book value 1 Jan 2019		1,790	1,790
Book value 31 Dec 2019	5,453	1,845	7,298

Parent Company

TEUR	Premises	Machinery and equipment	Right-of-Use assets total
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
Acquisition cost 1 Jan 2019		5,793	5,793
IFRS 16 implementation	5,123	72	5,195
Additions *	964	724	1,688
Disposals		-88	-88
Acquisition cost 31 Dec 2019	**6,087**	**6,501**	**12,588**
Accumulated depreciation and impairment 1 Jan 2019		4,003	4,003
Depreciation	1,249	722	1,971
Accumulated depreciation and impairment 31 Dec 2019	**1,249**	**4,725**	**5,974**
Book value 1 Jan 2019		1,790	1,790
Book value 31 Dec 2019	4,838	1,776	6,614

* Includes changes to lease contracts

15. Intangible assets

Group

TEUR	Payments in advance and uncompleted actions	Goodwill	Development costs	Intangible rights	Other intangible assets	Total
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 amortization 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
Acquisition cost 1 Jan 2019	2,252	42,626	2,494	11,352	846	59,570
FX rate differences		-37				-37
Additions	3,899			690		4,589
Disposals	-28	-1,550	-131			-1,710
Transfers between items	-2,315		2,315			0
Acquisition cost 31 Dec 2019	**3,808**	**41,039**	**4,677**	**12,042**	**846**	**62,412**
Accumulated amortization and impairment 1 Jan 2019		2,199	2,228	6,918	846	12,191
Amortization			336	981		1,317
Accumulated amortization on disposals			-88			-88
Accumulated amortization and impairment 31 Dec 2019		**2,199**	**2,476**	**7,899**	**846**	**13,420**
Book value 1 Jan 2019	2,252	40,427	266	4,435	0	47,379
Book value 31 Dec 2019	3,808	38,840	2,200	4,143	0	48,991

Parent Company

TEUR	Payments in advance and uncompleted actions	Goodwill	Development costs	Intangible rights	Other intangible assets	Total
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			0
Acquisition cost 31 Dec 2020	**3,608**	**2,365**	**7,152**	**44,183**	**401**	**57,709**
Accumulated amortization 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
Acquisition cost 1 Jan 2019	2,123	3,781	2,358	43,528	401	52,190
Merger of the subsidiary				53		53
Additions	3,699		1	637		4,337
Disposals	-28	-1,416	-137			-1,582
Transfers between items	-2,026		2,026			0
Acquisition cost 31 Dec 2019	**3,767**	**2,365**	**4,247**	**44,218**	**401**	**54,998**
Accumulated amortization and impairment 1 Jan 2019		2,365	2,093	5,492	401	10,351
Amortization			281	916		1,198
Accumulated amortization on disposals			-88			-88
Accumulated amortization and impairment 31 Dec 2019		**2,365**	**2,287**	**6,408**	**401**	**11,461**
Book value 1 Jan 2019	2,123	1,416	265	38,036	0	41,839
Book value 31 Dec 2019	3,767	0	1,961	37,809	0	43,537

In the financial year 2020, no government grants related to the acquisition of intangible assets were received. In the comparison period, grants were received in the amount of EUR 40 thousand.

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 31 December 2020 was EUR 38,949 thousand (38,840) and in the Parent Company as goodwill and merger loss EUR 34,136 thousand (34,136). At the end of the financial period, in the Group there were investments in progress in development projects of a value of EUR 3,805 thousand (3,808) and in the Parent Company EUR 3,608 thousand (3,767).

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 2021 and operating profit forecasts for the subsequent four years.

The discount rate of 9.5 percent used in the calculations is the weighted average cost of capital after taxes (equals 11.8 percent before taxes).

Based on testing performed in 2020, no need was found for recognizing impairment losses: a clear margin was left for each tested unit. No impairment losses were recognized in 2020 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	Group		Parent Company*	
	2020	2019	2020	2019
Solteq Digital	28,603	28,499	24,261	24,261
Solteq Software	10,345	10,341	9,875	9,875
Total	**38,949**	**38,840**	**34,136**	**34,136**

* losses from mergers are included in the Parent Company

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 9.5 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 13.7 percentage units or the discount rate increases by 9.6 percentage units.
- In Solteq Digital segment, there will be need for write-downs, if the operating profit decreases by 8.6 percentage units or the discount rate increases by 8.9 percentage units.

There are no significant differences in the Group and the Parent Company in the impairment testing and sensitivity analysis results within the Solteq Software or the Solteq Digital segments.

16. Other investments

TEUR	Group	Parent Company
Beginning of financial period	**481**	**496**
Change	-40	-41
End of financial period	**441**	**455**

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

17. Deferred tax assets and liabilities

Changes in deferred taxes:

Group

TEUR

	1 Jan 2019	Recognized on the income statement	31 Dec 2019	Recognized on the income statement	31 Dec 2020
Deferred tax assets:					
Provisions	77	-69	8	4	12
Postponed depreciations	132	-127	4		4
Other items	103	-64	39	15	54
Netted with deferred tax liabilities	-209		-23		-31
Total	**103**	**-260**	**29**	**19**	**40**
Deferred tax liabilities:					
Tax-deductible goodwill	226	-226			
Allocated intangible liabilities	716	-138	577	-137	441
Other items	82	-48	34	124	157
Netted with deferred tax assets	-209		-23		-31
Total	**815**	**-413**	**588**	**-13**	**567**

Parent Company

TEUR

	1 Jan 2019	Recognized on the income statement	31 Dec 2019	Recognized on the income statement	31 Dec 2020
Deferred tax assets:					
Provisions	77	-69	8	4	12
Postponed depreciations	132	-127	4		4
Other items		11	11	3	14
Netted with deferred tax liabilities	-209		-23		-31
Total	**0**	**-186**	**0**	**8**	**0**
Deferred tax liabilities:					
Tax-deductible goodwill	225	-225			
Allocated intangible liabilities	610	-123	487	-122	365
Other items	82	-67	15	57	72
Netted with deferred tax assets	-209		-23		-31
Total	**708**	**-415**	**478**	**-65**	**406**

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 2020, the Group had EUR 3,626 thousand (2,945) 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.

18. Inventories

TEUR	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
Finished goods	50	44	46	43
Work in progress	24	120		
Total	**74**	**164**	**46**	**43**

19. Trade and other receivables

TEUR	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
Trade receivables	10,374	8,988	7,251	6,896
Contract assets	240	800	240	800
Accrued income	949	5,799	670	5,088
Receivables from Group companies			2,253	1,641
Other receivables	95	158	1	51
Total	**11,658**	**15,745**	**10,415**	**14,476**

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:

Group

TEUR	2020	Impairment losses	Net 2020	Probability of losses, %	Presumed losses	2019	Net 2019	Probability of losses, %	Presumed losses
Not due	8,590		8,590			7,984	7,984		
Due	2,081	-55	2,026		4	1,804	1,804		10
Under 30 days	1,333		1,333			1,169	1,169		
31-60 days	423		423			186	186		
61-90 days	223		223			18	18		
More than 90 days	102	-55	47	9.5	4	430	430	2.3	10
Total	**10,670**	**-55**	**10,616**		**4**	**9,788**	**9,788**		**10**

Parent Company

TEUR	2020	Impairment losses	Net 2020	Probability of losses, %	Presumed losses	2019	Net 2019	Probability of losses, %	Presumed losses
Not due	7,311		7,311			6,715	6,715		
Due	2,258	-55	2,203		4	2,230	2,230		9
Under 30 days	1,072		1,072			1,088	1,088		
31-60 days	356		356			429	429		
61-90 days	320		320			283	283		
More than 90 days	510	-55	456	0.9	4	430	430	2.0	9
Total	**9,568**	**-55**	**9,514**		**4**	**8,945**	**8,945**		**9**

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.

20. Cash and cash equivalents

	Group		Parent Company	
TEUR	2020	2019	2020	2019
Cash and cash equivalents	4,877	3,648	2,681	2,007
Total	**4,877**	**3,648**	**2,681**	**2,007**

21. Notes to 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
End of financial period	**19,307**	**1,009**	**75**	**12,910**	**13,994**

The maximum number of shares is 28,000,000 (28,000,000). The shares have no nominal value. The Group's maximum share capital according to the articles of association is EUR 2.4 million (2.4).

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. At the end of the financial year Solteq Plc had 0 own shares in its possession (0).

Dividends

At the end of the financial year 2020, the distributable equity of the Group's Parent Company is EUR 19,592,728.08.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.15 per share be paid for the financial year 2020.

22. Share-based payments

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 EUR 0.6 million 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.

23. Provisions

Group

TEUR	Warranty provisions	Total
31 Dec 2019	**41**	**41**
Additional provisions	20	20
31 Dec 2020	**61**	**61**

Parent Company

TEUR	Warranty provisions	Total
31 Dec 2019	**41**	**41**
Additional provisions	20	20
31 Dec 2020	**61**	**61**

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.

24. Financial liabilities

Group

TEUR

	2020 Book value	2020 Fair value	2019 Book value	2019 Fair value
Financial liabilities at amortized cost				
Non-current				
Bond	22,676	22,676		
Loans from financial institutions	1,463	1,463	1,201	1,201
Lease liabilities	4,830	4,830	5,156	5,156
Total	**28,969**	**28,969**	**6,357**	**6,357**
Current				
Bond			24,459	24,459
Loans from financial institutions			2,002	2,002
Lease liabilities	2,402	2,402	2,349	2,349
Total	**2,402**	**2,402**	**28,810**	**28,810**

Parent Company

TEUR

	2020 Book value	2020 Fair value	2019 Book value	2019 Fair value
Financial liabilities at amortized cost				
Non-current				
Bond	22,676	22,676		
Loans from financial institutions	1,463	1,463	1,201	1,201
Lease liabilities	3,222	3,222	4,782	4,782
Total	**27,361**	**27,361**	**5,983**	**5,983**
Current				
Bond			24,459	24,459
Loans from financial institutions			2,000	2,000
Lease liabilities	1,863	1,863	1,972	1,972
Total	**1,863**	**1,863**	**28,430**	**28,430**

As interests are tied to short-term reference rates, 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

Group

TEUR

	31 Dec 2019	Cash flows	New financial lease contracts	*)Other changes	31 Dec 2020
Non-current liabilities	1,201	23,262		-324	24,138
Current liabilities	26,461	-26,459		-2	0
Lease liabilities	7,505	-2,458	2,410	-225	7,233
Total financing liabilities	**35,167**	**-5,655**	**2,410**	**-551**	**31,371**

Parent Company

TEUR

	31 Dec 2019	Cash flows	New financial lease contracts	*)Other changes	31 Dec 2020
Non-current liabilities	1,201	23,262		-324	24,138
Current liabilities	26,459	-26,459			0
Lease liabilities	6,754	-2,016	516	-168	5,085
Total financing liabilities	**34,413**	**-5,214**	**516**	**-492**	**29,223**

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

Maturity of financial leases:

Group

TEUR	Book value	Contractual cash flows	1-12 months	13-24 months	25-36 months	Later
Financial liabilities, Dec 31 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**
Financial liabilities, Dec 31 2019						
Bond	24,461	25,970	25,970			
Loans from financial institutions	3,201	3,269	2,009	12	12	1,236
Lease liabilities	7,505	7,648	2,557	2,132	1,343	1,616
Trade payables	3,895	3,895	3,895			
Financial liabilities total	**39,062**	**40,783**	**34,432**	**2,144**	**1,355**	**2,852**

Parent Company

TEUR	Book value	Contractual cash flows	1-12 months	13-24 months	25-36 months	Later
Financial liabilities, Dec 31 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**
Financial liabilities, Dec 31 2019						
Bond	24,459	25,970	25,970			
Loans from financial institutions	3,201	3,269	2,009	12	12	1,236
Lease liabilities	6,754	6,903	2,187	1,879	1,221	1,616
Trade payables	3,845	3,845	3,845			
Financial liabilities total	**38,258**	**39,986**	**34,011**	**1,891**	**1,233**	**2,852**

In 2020, 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 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.

25. Trade and other payables

TEUR	Group		Parent Company	
	2020	**2019**	**2020**	**2019**
Trade payables	4,671	3,895	4,099	3,367
Advances received from customers, long-term projects	82	332	34	68
Accruals and deferred income	5,940	7,274	5,703	7,182
Other liabilities	5,480	5,155	3,009	3,555
Liabilities to Group companies			611	477
Total	**16,173**	**16,657**	**13,456**	**14,650**

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.

26. Financial risk management and capital management

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

Credit risk

The Company's operating style defines the customers' and investment transactions' creditworthiness demands and investment principles. The Company does not have any significant credit risk concentrations in its receivables, because it has a wide customer base, and it gives credit only to companies who have an unblemished credit rating. During the financial period, the effect of credit losses has not been significant. The Company's credit risk's maximum amount is the carrying value of financial assets as at 31 December 2020.

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.

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. 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 31 December 2020) and the account limits and liquidity limits (EUR 6,000 thousand 31 December 2020) are tied to the terms of the bond, which are monitored regularly. The bond will mature on October 1, 2024.

The terms and conditions of the Bond contain financial and other covenants as well as the prerequisites for early maturity and repurchase. The financial covenants concerning the distribution of funds and incurring financial indebtedness other than permitted in the terms of the Bond (Incurrence Covenant) require that 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 as a whole at Company's website.

27. 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 5,030 thousand (4,003) in the Group and EUR 4,243 thousand (3,380) in the Parent Company.

28. Other lease agreements

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	Group		Parent Company	
	2020	2019	2020	2019
Within a year	638	393	545	330
More than one year	774	634	709	585
Total	**1,412**	**1,027**	**1,254**	**916**

29. Conditional debts and liabilities

TEUR	Group		Parent Company	
	2020	2019	2020	2019
Collateral given on our own behalf				
Business mortgages	10,000	10,000	10,000	10,000
Total	**10,000**	**10,000**	**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.

30. 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.

Group's Parent Company and subsidiary relations 31 December 2020 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 %

The option scheme and the share-based incentive scheme for the key persons of the Company

On 15 July 2016 Solteq Plc announced that the Board of Directors of Solteq Plc decided to adopt a new stock option scheme and a share-based incentive scheme according to the authorization granted by the Annual General Meeting on 16 March 2016. The Company's current and former management owned one million shares under the option scheme.

The maximum total number of stock options issued will be 1,000,000. The share subscription price is EUR 3.00 per share. The subscription period ended on December 31, 2019. No shares were subscribed during the subscription period, and the options expired.

The following related party transactions took place:

TEUR	Group		Parent Company	
	2020	2019	2020	2019
Service sales		6		6
Purchases	3	8	3	8
Total	**3**	**14**	**3**	**14**

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	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
Salaries and other short-term employment benefits	1,197	1,246	1,197	1,246
Total	**1,197**	**1,246**	**1,197**	**1,246**

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	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
CEO Olli Väätäinen	290	290	290	290
Board members				
Pietilä Markku, Chairman of the Board	46	46	46	46
Aktan Aarne	28	28	28	28
Grannenfelt Eeva until 27 Mar 2019		9		9
Harra-Vauhkonen Kirsi until 2 Oct 2018		1		1
Kopra Lotta	28	28	28	28
Porkka Panu from 27 Mar 2019	24	15	24	15
Segerståhl Katarina from 27 Mar 2019	25	16	25	16
Uotila Mika	25	27	25	27

The CEO's accrual-based pension costs amount to EUR 64 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 592,028 shares at the end of 2020 (592,028).

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.

31. Events after the balance sheet date

The Company's management is not aware of any 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 31 December 2020 is:

The distributable equity

	31 Dec 2020	31 Dec 2019
Invested unrestricted equity reserve	14,024,182.47	14,024,182.47
Result for previous financial periods	10,680,448.00	8,030,802.40
Result for the financial year	2,548,935.32	2,649,589.35
Total non-restricted equity	**27,253,565.79**	**24,704,574.22**
Capitalized development costs	-7,660,837.71	-5,728,091.84
Total distributable funds	**19,592,728.08**	**18,976,482.38**

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.15 per share be paid for the financial year 2020.

Signatures of financial statements and the report of the Board of Directors

Vantaa, 24 February 2021

Markku Pietilä
Chairman of the Board

Aarne Aktan
Board Member

Lotta Kopra
Board Member

Panu Porkka
Board Member

Katarina Segerståhl
Board Member

Mika Uotila
Board Member

Olli Väätäinen
CEO

Auditor's note

Our auditors' report has been issued today.
Helsinki, 24 February 2021
KPMG Oy Ab

Petri Sammalisto
Authorized Public Accountant

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 2020. 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 6 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 policies and note 15)	
— 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 policies and note 4)	
— The consolidated revenue comprise different revenue flows based on different contract types, such as services, software license sales and maintenance as well as long-term projects. — Revenue and costs related to long-term projects are recognized based on percentage of completion method once the progress towards complete satisfaction of a performance obligation can be measured	— 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.

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.

- In addition, we assessed the appropriateness of calculations for long-term projects 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.

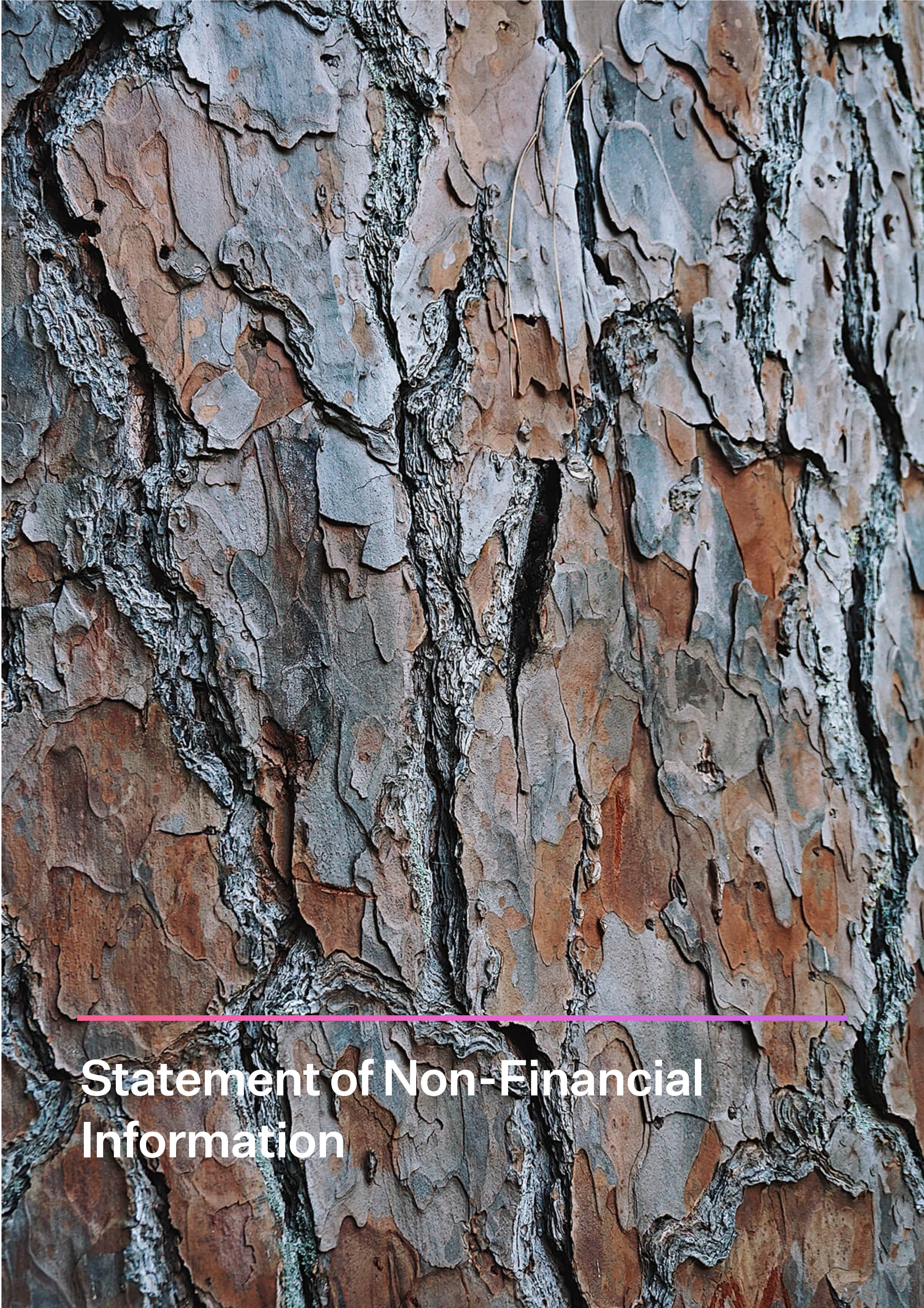
In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears 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, 24 February 2021
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, industry, energy and services.

Solteq's goal is to promote digitalization responsibly. The Company operates in Finland, Sweden, Norway, Denmark, Poland and the UK and employs 600 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.

Corporate citizenship

Solteq is a responsible corporate citizen. Community orientation and social engagement are realized through various projects in the Company's day-to-day operations. Cooperation with universities ensures a smooth transition to working life for students. By participating in the My Tech program of the Technology Industries of Finland, Solteq seeks to inspire schoolchildren and young people to pursue careers in IT. Solteq also participates in charity campaigns that resonate with the employees.

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 employees' terms, with the aim of ensuring a good employee experience that enables a positive customer experience.

The project for defining Company values started in 2019 and was completed during 2020. The entire personnel participated in this work, and the key values which emerged from the project were: integrity, dedication and better together.

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 2020 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 as well as sports and culture initiatives both during and outside office hours. Due to the COVID-19 pandemic, initiatives on wellbeing at work focused on improving team leaders' remote leadership skills.

Successful recruitment plays a strategically important role in a growing and developing Company. In 2020, the Company recruited 111 new employees (93). Personnel turnover is at 16 percent (12). 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 and culturally compatible 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) increased significantly to 38, compared to the score of 27 from previous year.

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 41.3 years (40.4). Women accounted for 21 percent of Solteq's personnel (22).

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.

The Company's data security practices, monitoring systems, risk management, regulatory compliance level and maturity continued to develop in 2020. Solteq's Company-level IT function has received ISO/IEC 27001:2013 certification. The certification auditor is KPMG IT Certification Ltd. ISO/IEC 27001:2013 certification requires that the Company continually develops its information security and data protection.

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 2020. The emphasis has been on identity protection and the ability to defend against global information security threats. The personnel's information security skills have been maintained with annual training.

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 internally and externally are informed of potential or actual security incidents. By having invested in data security both organizationally and technologically, the Company tackles information security incidents efficiently.

Solteq's employees undergo orientation on information security during their induction training. Expanded data protection and information security training for all of the Company's personnel were introduced in spring 2019. During the calendar year, they were incorporated into the employees' training portfolio as a mandatory training component. Approximately 80 percent of the personnel completed the Information Security and Data Protection training during 2020. The training content will be updated in 2021 to enrich the content relating to information security and data protection requirements when working remotely.

Solteq's information security and data protection are managed by a designated IT Manager and Data Protection Officer and the Company's information security team. The information security team has been expanded in 2020 by including a person to be comprehensively responsible for the information security of solutions delivered to customers.

Despite the extraordinary working conditions in 2020, the COVID-19 pandemic did not result in any major information security and information protection challenges. Solteq has engaged in a long-term architecture development to ensure a secure remote working infrastructure.

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 2020.

Environmental Responsibility

Solteq takes environmental aspects into consideration in all of its operations and promotes sustainable choices. Solteq's policy of sustainable development and environmental responsibility guides the operations to take into account the environmental aspects. The Company's environmental impacts mainly arise from the energy consumption of office premises and data centers. The environmental impact of travel, work equipment and office furniture are also taken into consideration in day-to-day choices and purchases.

No significant environmental risks have been identified in Solteq's business.

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. Solteq's head office and Showroom in Vantaa's Aviapolis district were built in accordance with the LEED environmental certification system and Green Building standards. The interiors are furnished with ISO 14001 certified furniture intended to withstand extensive long-term use.

Solteq's personnel is encouraged to favor sustainable travel alternatives and to use public, environmentally friendly transportation, such as trains. Centrally located offices, the use of modern communication technology and the provision of remote work opportunities aim to reduce the need for travelling. The COVID-19 pandemic had a significantly positive effect on the environmental impact, as commuting reduced dramatically. Due to the strong recommendation to work remotely, which continued for most of the year, commuting and other work-related trips were reduced to a minimum, practically next to none.

Once the pandemic is over, Solteq will continue to avoid any unnecessary travelling, thereby reducing its environmental impact. The Company has invested in developing an infrastructure enabling remote work, and the personnel can rely on the technology to continue to support working from home – also after the pandemic. The Company continues to favor sustainable means of travel, whenever team meetings and other face-to-face meetings are organized.

According to Statistics Finland, the ICT industry generates relatively low amounts of greenhouse gas emissions. 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.

Aspect	Principles and processes	Objective	Performance indicators	2020	2019	2018	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	Training is organised using online training portal, making training more efficient	Staff training and effective prevention of risks Effective and timely communication during crisis, disruption and emergency situations.	Annual training attended by the staff 1. Data protection training 2. Information security training 3. Employees' Information security training 4. Training on register controller's responsibilities	 524 525 525 524	 383 362 361 370	New	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	eNPS 36	eNPS 27	4.15/5	Risks related to the availability of employees
Environmental Responsibility	Life Cycle Management	Re-use of workstations	Percentage of re-used workstations	100%	100%	100%	Reputation risk

SOLTEQ

Solteq Plc

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