

SOLTEQ

An abstract graphic consisting of several thick, wavy lines in a vibrant pink color, set against a dark navy blue background. The lines flow from the left side of the page, curve upwards and then downwards, creating a sense of movement and depth. The lines are closely spaced and overlap, creating a layered effect.

# Financial Statements Bulletin

JANUARY 1–DECEMBER 31, 2021

# Solteq Plc Financial Statements Bulletin January 1–December 31, 2021

## A year of profitable growth

### October–December

- Revenue totaled EUR 18.3 million (16.4) and increased by 11.4 percent
- EBITDA was EUR 2.6 million (3.1) and EBITDA percent was 14.4 (18.8)
- Operating profit was EUR 1.3 million (1.8) and operating profit percent was 7.2 (10.9)
- Earnings per share was EUR 0.03 (0.03)

### January–December

- Revenue totaled EUR 69.1 million (60.5) and increased by 14.2 percent
- EBITDA was EUR 12.3 million (10.4) and EBITDA percent was 17.8 (17.2)
- Operating profit was EUR 7.1 million (5.4) and operating profit percent was 10.3 (8.9)
- Earnings per share was EUR 0.21 (0.10)
- Solteq Group's equity ratio was 36.9 percent (35.5)
- Net cash flow from operating activities was EUR 10.0 million (6.3)
- Solteq Group's revenue is expected to grow clearly and operating profit to improve
- Solteq Plc's Board of Directors proposes that the Annual General Meeting authorize the Board of Directors to decide on the distribution of dividend of a maximum of EUR 0.10 per share

## Key figures

	10-12/2021	10-12/2020	Change %	1-12/2021	1-12/2020	Change %
Revenue, TEUR	18,277	16,408	11.4	69,055	60,452	14.2
EBITDA, TEUR	2,629	3,080	-14.7	12,267	10,380	18.2
Comparable EBITDA, TEUR	2,732	3,320	-17.7	12,556	10,810	16.2
Operating profit, TEUR	1,321	1,787	-26.1	7,123	5,350	33.1
Comparable operating profit, TEUR	1,424	2,027	-29.7	7,412	5,780	28.2
Profit for the financial period, TEUR	604	622	-2.9	4,100	1,980	107.1
Earnings per share, EUR	0.03	0.03	-3.9	0.21	0.10	106.3
Operating profit, %	7.2	10.9		10.3	8.9	
Comparable operating profit, %	7.8	12.4		10.7	9.6	
Equity ratio, %				36.9	35.5	

## Profit guidance 2021

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

### CEO Kari Lehtosalo:

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

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

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

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

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

### Nordic IT market outlook within the key industries for Solteq

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

Solteq has two business segments: Solteq Software, which focuses on product development and software solutions, and Solteq Digital, which provides IT expert services. The company's software

products and expert services comprehensively cover the trends which, according to recent studies, will be the key IT investment areas for Nordic decision-makers in the coming years.

### **Evolving operating environment creates demand for software solutions in the utilities sector**

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

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

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

### **The retail and service sectors look for unified commerce solutions**

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

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

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

## **Labor shortage creates difficulties for the IT sector**

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

## **Revenue and profit**

### **October–December**

Revenue for fourth quarter increased by 11.4 percent compared to the previous year and totaled EUR 18,277 thousand (16,408). Operating profit for the review period was EUR 1,321 thousand (1,787). Comparable operating profit was EUR 1,424 thousand (2,027). Profit before taxes was EUR 738 thousand (830) and the profit for the financial period was EUR 604 thousand (622).

### **January–December**

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

## **Solteq Digital**

### **October–December**

During the last quarter of 2021, Solteq Digital performed well relative to the comparison period with clear improvements in revenue and profitability. The segment's revenue was EUR 11,700 thousand (10,605), an increase of 10.3 percent. The segment's EBITDA increased by 50.8 percent, to EUR 2,044 thousand (1,356), and operating profit increased by 118.0 percent, to EUR 1,483 thousand (680).

### **January–December**

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

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

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

<b>Solteq Digital</b>	<b>10-12/2021</b>	<b>10-12/2020</b>	<b>Change %</b>	<b>1-12/2021</b>	<b>1-12/2020</b>	<b>Change %</b>
Revenue, TEUR	11,700	10,605	10.3	44,302	41,610	6.5
Comparable EBITDA, TEUR	2,000	1,596	25.3	7,969	6,236	27.8
Comparable EBITDA, %	17.1	15.0		18.0	15.0	
EBITDA, TEUR	2,044	1,356	50.8	7,916	5,856	35.2
EBITDA, %	17.5	12.8		17.9	14.1	
Comparable operating profit, TEUR	1,439	920	56.4	5,617	3,499	60.5
Comparable operating profit, %	12.3	8.7		12.7	8.4	
Operating profit, TEUR	1,483	680	118.0	5,563	3,119	78.3
Operating profit, %	12.7	6.4		12.6	7.5	

## **Solteq Software**

### **October–December**

The last quarter of 2021 was a time of growth for the Solteq Software segment. However, the investments in the Utilities sector product development and internationalization decreased profitability relative to the comparison period. The segment's revenue was EUR 6,577 thousand (5,803), up by 13.3 percent. The EBITDA was EUR 585 thousand (1,725) and the operating result EUR -162 thousand (1,107). The decrease was 66.1 percent in EBITDA and 114.7 percent in operating result relative to the comparison period.

### **January–December**

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

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

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

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

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

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

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

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

<b>Solteq Software</b>	<b>10-12/2021</b>	<b>10-12/2020</b>	<b>Change %</b>	<b>1-12/2021</b>	<b>1-12/2020</b>	<b>Change %</b>
Revenue, TEUR	6,577	5,803	13.3	24,753	18,842	31.4
Comparable EBITDA, TEUR	732	1,725	-57.5	4,587	4,574	0.3
Comparable EBITDA, %	11.1	29.7		18.5	24.3	
EBITDA, TEUR	585	1,725	-66.1	4,352	4,524	-3.8
EBITDA, %	8.9	29.7		17.6	24.0	
Comparable operating result, TEUR	-15	1,107	-101.3	1,795	2,281	-21.3
Comparable operating result, %	-0.2	19.1		7.3	12.1	
Operating result, TEUR	-162	1,107	-114.7	1,560	2,231	-30.1
Operating result, %	-2.5	19.1		6.3	11.8	

## Balance sheet and financing

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

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

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



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

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

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

## Distribution of assets

The Annual General Meeting held on March 30, 2021 resolved that a dividend of EUR 0.15 per share will be paid based on the balance sheet that was adopted for the financial year 2021. The dividend, totaling EUR 2,909 thousand, was paid to shareholders on April 12, 2021.

## Investment, research, and development

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

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

## Personnel

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

### Key figures for Group's personnel

	10-12/2021	10-12/2020	1-12/2021	1-12/2020
Average number of personnel during period			637	593
Employee benefit expenses, TEUR	9,111	8,277	33,987	31,379



## **Related party transactions**

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

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

## **Shares, shareholders, and treasury shares**

Solteq Plc's equity on December 31, 2021 was EUR 1,009,154.17 which was represented by 19,396,501 shares. The shares have no nominal value. All shares have an equal entitlement to dividends and company assets. Shares are governed by a redemption clause.

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

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

## **Exchange and rate**

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

## **Ownership**

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

## **Annual General Meeting**

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

In accordance with the proposal of the Board of Directors, the Annual General Meeting resolved that dividend of EUR 0.15 per share is paid for the financial period ended on December 31, 2020.

The Annual General Meeting authorized the Board of Directors to decide on share issue, carried out with or without payment and on issuing share options, and other special rights referred to in Chapter 10, Section 1 of the Finnish Companies Act as follows:

The maximum total amount of shares or other rights is 3,000,000. The authorization includes the right to give new shares and special rights or convey the company's own shares. The authorization includes a right to deviate from the shareholders' pre-emptive right of subscription if there is a weighty financial reason for the company, e.g. to improve the capital structure, to execute business acquisitions and other business improvement arrangements or to implement the company's incentive schemes. The authorization includes that the Board of Directors may decide on all other terms concerning the share issue and the granting of special rights, including the subscription price and the payment of the subscription price in cash or in whole or in part by other means (subscription in kind) or by using a claim on the subscriber to offset the subscription price and to record it in the company's balance sheet.

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

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

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

## **Board of Directors and auditors**

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

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

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

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

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

## **Other events during the review period**

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

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

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

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

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

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

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

## **Events after the review period**

On January 3, 2022, Solteq Plc announced that it had signed an agreement to purchase the entire share capital of the energy software company Enerity Solutions Oy. The table-section of this financial statement bulletin provides more detailed information regarding the acquisition.

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

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

## **Risks and uncertainties**

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

Other key uncertainties and risks are related to the management of changes in financing and balance sheet structures, the timing and pricing of business deals that are the basis for revenue, changes in

general costs, developing company's own products and their commercialization, and the company's capability to manage extensive customer contracts and deliveries. In addition, the global shortage of IT experts and electronic components causes uncertainty.

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

### **Impact of the COVID-19 pandemic on financial reporting**

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

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

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

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

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

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

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

The Board of Directors proposes to the Annual General Meeting that no dividend be distributed based on the balance sheet to be adopted for the financial year 2021 directly by a resolution of the General Meeting but that the General Meeting authorize the Board of Directors to decide, at its sole discretion,

on the distribution of a maximum of EUR 0.10 per share from retained earnings. If the conditions for dividend distribution are met, the Board of Directors is entitled, based on the authorization, to decide on the amount of the dividend within the limit of the above maximum amount, the record date of the dividend payment, the dividend payment date, and other required measures. The company will make a separate announcement on the possible decision by the Board of Directors to distribute dividend and announce the applicable dividend record date and dividend payment date at the same time.

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

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

## **Financial reporting**

This Financial Statements Bulletin has been prepared in accordance with the recognition and valuation principles of IFRS standards and using IAS 34 and the same accounting policies as the Financial Statements 2020. The new IFRS standards, taken into use on January 1, 2021, do not have a significant impact in the Group's Financial Statements Bulletin. The Financial Statements Bulletin is based on 2021 audited Financial Statements.

### **Revenue from contracts with customers**

Due to the change in the segment structure that took place at the beginning of the previous financial year, the company analyzed the sources of income in more detail and decided to specify the reporting of the revenue from contracts with customers in its financial reporting.

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

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

The comparable data for the financial year 2020 is presented in the tables at the end of this Financial Statements Bulletin.

## Financial information

### Consolidated statement of comprehensive income

TEUR	10-12/2021	10-12/2020	1-12/2021	1-12/2020
<b>Revenue</b>	<b>18,277</b>	<b>16,408</b>	<b>69,055</b>	<b>60,452</b>
Other income	20	45	113	279
Materials and services	-2,088	-1,603	-7,903	-5,936
Employee benefit expenses	-10,817	-9,905	-40,312	-36,891
Other expenses	-2,763	-1,864	-8,685	-7,523
Depreciations and impairments	-1,308	-1,293	-5,144	-5,030
<b>Operating profit</b>	<b>1,321</b>	<b>1,787</b>	<b>7,123</b>	<b>5,350</b>
Financial income and expenses	-583	-958	-1,878	-2,613
<b>Profit before taxes</b>	<b>738</b>	<b>830</b>	<b>5,245</b>	<b>2,737</b>
Income taxes	-134	-208	-1,145	-757
<b>Profit for the financial period</b>	<b>604</b>	<b>622</b>	<b>4,100</b>	<b>1,980</b>
Other comprehensive income to be reclassified to profit or loss in subsequent periods				
Currency translation differences	-11	48	-46	1
Other comprehensive income, net of tax	-11	48	-46	1
<b>Total comprehensive income</b>	<b>593</b>	<b>670</b>	<b>4,055</b>	<b>1,981</b>
Total profit for the period attributable to owners of the parent	604	622	4,100	1,980
Total comprehensive income attributable to owners of the parent	593	670	4,055	1,981
Earnings per share, EUR (undiluted)	0.03	0.03	0.21	0.10
Earnings per share, EUR (diluted)	0.03	0.03	0.21	0.10

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



## Consolidated statement of financial position

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

## Consolidated cash flow statement

TEUR	1-12/2021	1-12/2020
<b>Cash flow from operating activities</b>		
Profit for the financial period	4,100	1,980
Adjustments for operating profit	7,096	7,574
Changes in working capital	514	-60
Interests paid	-1,772	-3,218
Interests received	16	25
<b>Net cash from operating activities</b>	<b>9,955</b>	<b>6,302</b>
<b>Cash flow from investing activities</b>		
Business acquisitions	-2,855	
Disposal of other shares and holdings		38
Divested businesses		4,071
Investments in tangible and intangible assets	-3,064	-3,477
<b>Net cash used in investing activities</b>	<b>-5,920</b>	<b>631</b>
<b>Cash flow from financing activities</b>		
Long-term loans, increase		23,262
Short-term loans, decrease		-26,500
Payment of finance lease liabilities	-2,415	-2,465
Dividend payment	-2,909	
<b>Net cash used in financing activities</b>	<b>-5,325</b>	<b>-5,704</b>
<b>Changes in cash and cash equivalents</b>	<b>-1,289</b>	<b>1,230</b>
Cash and cash equivalents at the beginning of period	4,877	3,648
<b>Cash and cash equivalents at the end of period</b>	<b>3,588</b>	<b>4,877</b>

## Consolidated statement of changes in equity

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

## Quarterly key indicators

TEUR	1-3/2021	4-6/2021	7-9/2021	10-12/2021
Revenue	17,383	18,487	14,909	18,277
EBITDA	3,490	3,726	2,422	2,629
Comparable EBITDA	3,554	3,767	2,502	2,732
Operating profit	2,232	2,440	1,130	1,321
Comparable operating profit	2,296	2,481	1,210	1,424
Result before taxes	1,838	1,989	680	738

TEUR	1-3/2020	4-6/2020	7-9/2020	10-12/2020
Revenue	15,674	15,080	13,289	16,408
EBITDA	1,875	2,710	2,715	3,080
Comparable EBITDA	2,039	2,736	2,715	3,320
Operating profit	716	1,481	1,365	1,787
Comparable operating profit	880	1,507	1,365	2,027
Result before taxes	108	995	804	830

## Revenue from contracts with customers

### Solteq Digital

TEUR	10-12/2021	10-12/2020	1-12/2021	1-12/2020
Services	11,074	9,912	41,692	38,663
Software and hardware sales	625	693	2,610	2,947
<b>Total</b>	<b>11,700</b>	<b>10,605</b>	<b>44,302</b>	<b>41,610</b>

### Solteq Software

TEUR	10-12/2021	10-12/2020	1-12/2021	1-12/2020
Services	3,842	3,892	15,308	11,739
Recurring revenue / SaaS	2,066	1,705	7,789	6,738
Non-recurring sales	669	206	1,656	365
<b>Total</b>	<b>6,577</b>	<b>5,803</b>	<b>24,753</b>	<b>18,842</b>
<b>Group total</b>	<b>18,277</b>	<b>16,408</b>	<b>69,055</b>	<b>60,452</b>

## Comparison figures for 2020

### Solteq Digital

TEUR	1-3/2020	4-6/2020	7-9/2020	10-12/2020	1-12/2020
Services	10,583	9,832	8,336	9,912	38,663
Software and hardware sales	753	678	822	693	2,947
<b>Total</b>	<b>11,336</b>	<b>10,510</b>	<b>9,158</b>	<b>10,605</b>	<b>41,610</b>

## Solteq Software

TEUR	1-3/2020	4-6/2020	7-9/2020	10-12/2020	1-12/2020
Services	2,609	2,820	2,418	3,892	11,739
Recurring revenue / SaaS	1,658	1,723	1,652	1,705	6,738
Non-recurring sales	71	27	61	206	365
<b>Total</b>	<b>4,338</b>	<b>4,570</b>	<b>4,131</b>	<b>5,803</b>	<b>18,842</b>
<b>Group total</b>	<b>15,674</b>	<b>15,080</b>	<b>13,289</b>	<b>16,408</b>	<b>60,452</b>

## Total investments

TEUR	10-12/2021	10-12/2020	1-12/2021	1-12/2020
Group total	2,409	719	7,147	5,456

## Maturity of financial liabilities

TEUR	Book value	Contractual cash flows	1-12 months	13-24 months	25-36 months	Later
<b>Financial liabilities, 31 Dec 2021</b>						
Bond	22,755	27,149	1,383	1,383	24,383	
Loans from financial institutions	1,463	1,537	12	95	414	1,017
Lease liabilities	5,307	5,407	2,171	1,633	1,352	251
Trade payables	5,041	5,041	5,041			
<b>Financial liabilities total</b>	<b>34,565</b>	<b>39,134</b>	<b>8,607</b>	<b>3,111</b>	<b>26,149</b>	<b>1,267</b>
<b>Financial assets, 31 Dec 2021</b>						
Trade receivables	9,891					
Cash and cash equivalents	3,588					
<b>Financial assets total</b>	<b>13,479</b>					

The company has a standby credit limit of EUR 4,000 thousand and a bank account credit limit of EUR 2,000 thousand, which at the end of the review period were unused.

## Fair value of financial assets and liabilities

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

## Liabilities

TEUR	31 Dec 2021	31 Dec 2020
Business mortgages	10,000	10,000
Off-balance sheet lease liabilities	1,642	1,412

## Related party transactions

TEUR	10-12/2021	10-12/2020	1-12/2021	1-12/2020
Purchases				3
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3</b>

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

## Distribution of holdings by sector December 31, 2021

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

## Distribution of holdings by share December 31, 2021

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

## Major shareholders December 31, 2021

		Shares and votes	
		number	%
1.	Profiz Business Solution Oy	2,060,769	10.62
2.	Elo Mutual Pension Insurance Company	2,000,000	10.31
3.	Ilmarinen Mutual Pension Insurance Company	1,651,293	8.51
4.	Varma Mutual Pension Insurance Company	1,545,597	7.97
5.	Aktia Capital Mutual Fund	770,000	3.97
6.	Aalto Seppo Tapio	615,000	3.17
7.	Saadetdin Ali Urhan	602,216	3.1
8.	Säästöpankki Small Cap Mutual Fund	500,000	2.58
9.	Väätäinen Olli Pekka	313,178	1.61
10.	OP-Finland Micro Cap	300,000	1.55
10 largest shareholders total		10,358,053	53.40
Total of nominee-registered		1,054,969	5.44
Others		7,983,479	41.16
<b>Total</b>		<b>19,396,501</b>	<b>100.00</b>

## Financial performance indicators

	10-12/2021	10-12/2020	1-12/2021	1-12/2020
Revenue, MEUR	18.3	16.4	69.1	60.5
Change in revenue, %	11.4	4.5	14.2	3.7
Operating profit, MEUR	1.3	1.8	7.1	5.4
% of revenue	7.2	10.9	10.3	8.9
Profit before taxes, MEUR	0.7	0.8	5.2	2.7
% of revenue	4.0	5.1	7.6	4.5
Net investments in non-current assets, MEUR	2.4	0.7	7.1	5.5
Equity ratio, %			36.9	35.5
Net debt, MEUR			25.9	26.5
Gearing, %			92.6	99.9
Return on equity, rolling 12 months, %			15.0	7.8
Return on investment, rolling 12 months, %			13.0	9.1
Personnel at end of period			648	597
Personnel average for period			637	593

## Key indicators per share

	10-12/2021	10-12/2020	1-12/2021	1-12/2020
Earnings per share, EUR (undiluted)	0.03	0.03	0.21	0.10
Earnings per share, EUR (diluted)	0.03	0.03	0.21	0.10
Equity per share, EUR			1.44	1.37



## **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, net debt, and the share of recurring revenue of the total revenue of Solteq Software segment. The calculation principles of these financial key figures are presented as part of this Financial Statements Bulletin. The performance measures presented as rolling 12 months include the total figures of the past four quarters.

## **Items affecting comparability and alternative performance measures**

### **Items affecting comparability:**

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

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

### Comparable 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	10-12/2021	10-12/2020	1-12/2021	1-12/2020
<b>Operating profit (EBIT)</b>	<b>1,321</b>	<b>1,787</b>	<b>7,123</b>	<b>5,350</b>
<b>Items affecting comparability</b>				
Acquisition costs	68		189	
Cost of integrating the acquired business	7		7	
Non-recurring severance packages	3	240	68	430
Costs incurred by the re-organization of operations	25		25	
<b>Total items affecting comparability</b>	<b>103</b>	<b>240</b>	<b>289</b>	<b>430</b>
<b>Comparable operating profit (EBIT)</b>	<b>1,424</b>	<b>2,027</b>	<b>7,412</b>	<b>5,780</b>

### Calculation of financial ratios

Equity ratio, %:  $\text{equity} / (\text{balance sheet total} - \text{advances received}) \times 100$

Gearing, %:  $(\text{interest bearing liabilities} - \text{cash and cash equivalents}) / \text{equity} \times 100$

Return on Equity (ROE), %:  $\text{profit for the financial period (rolling 12 months)} / \text{equity (average for the period)} \times 100$

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

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

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

Equity per share:  $\text{equity} / \text{number of shares}$

EBITDA:  $\text{operating profit} + \text{depreciation and impairments}$

Net debt:  $\text{interest bearing liabilities} - \text{cash and cash equivalents}$

Share of recurring revenue of the total revenue of Solteq Software segment:  $\text{recurring revenue} / \text{SaaS} / \text{total revenue of Solteq Software segment}$

## Business combinations

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

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

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

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

TEUR	1-12/2021
Intangible assets	448
<b>Total assets</b>	<b>448</b>
Deferred tax liabilities	90
<b>Total liabilities</b>	<b>90</b>
<b>Net assets acquired</b>	<b>359</b>
Total consideration	2,350
Goodwill	1,991
<b>Impact on cash flows</b>	
Paid in cash	2,000
<b>Cash flow from investing activities</b>	<b>-2,000</b>
<b>Consideration</b>	
Paid in cash	2,000
Directed issue	350
<b>Total</b>	<b>2,350</b>

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

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

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

There were no acquisitions during the comparison period.

#### **Events after the review period**

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

**Financial reporting**

Solteq Plc's audited Annual Report and financial statements for 2021 will be published on the company's website by March 2, 2022.

Solteq Plc's financial information bulletins in 2022 have been scheduled as follows:

- Interim Report 1-3/2022 Thursday April 28, 2022 at 8.00 am
- Half Year Report 1-6/2022 Thursday August 11, 2022 at 8.00 am
- Interim Report 1-9/2022 Thursday October 27, 2022 at 8.00 am

More investor information is available on Solteq's website at [www.solteq.com](http://www.solteq.com).

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NASDAQ OMX Helsinki  
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