

SOLTEQ



Half-Year Report 2021

JANUARY 1–JUNE 30, 2021

Solteq continued its strong, profitable growth

April–June

- Revenue totaled EUR 18.5 million (15.1) and increased by 22.6 percent
- EBITDA was EUR 3.7 million (2.7) and EBITDA percent was 20.2 (18.0)
- Operating profit was EUR 2.4 million (1.5) and operating profit percent was 13.2 (9.8)
- Earnings per share was EUR 0.08 (0.04)

January–June

- Revenue totaled EUR 35.9 million (30.8) and increased by 16.6 percent
- EBITDA was EUR 7.2 million (4.6) and EBITDA percent was 20.1 (14.9)
- Operating profit was EUR 4.7 million (2.2) and operating profit percent was 13.0 (7.1)
- Earnings per share was EUR 0.16 (0.04)
- Solteq Group’s equity ratio was 35.3 percent (33.1)
- Net cash flow from operating activities was EUR 7.8 million (5.3)

Key figures

	4-6/2021	4-6/2020	Change %	1-6/2021	1-6/2020	Change %	1-12/2020	Rolling 12mos
Revenue, TEUR	18,487	15,080	22.6	35,870	30,754	16.6	60,452	65,567
EBITDA, TEUR	3,726	2,710	37.5	7,217	4,584	57.4	10,380	13,012
Comparable EBITDA, TEUR	3,767	2,736	37.7	7,322	4,774	53.4	10,810	13,357
Operating profit, TEUR	2,440	1,481	64.7	4,672	2,197	112.6	5,350	7,824
Comparable operating profit, TEUR	2,481	1,507	64.6	4,777	2,387	100.1	5,780	8,169
Profit for the financial period, TEUR	1,551	779	99.1	3,007	819	267.2	1,980	4,168
Earnings per share, EUR	0.08	0.04	99.4	0.16	0.04	266.7	0.10	0.22
Operating profit, %	13.2	9.8		13.0	7.1		8.9	11.9
Comparable operating profit, %	13.4	10.0		13.3	7.8		9.6	12.5
Equity ratio, %				35.3	33.1		35.5	34.2

Profit guidance 2021

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

CEO Olli Väätäinen's review:

Solteq Group continued its strong, profitable growth in the second quarter. Measured by key indicators for the company, the quarter was the best in the company history. The growth was fueled by Solteq Software's Utilities business and Solteq Digital, which returned to a growth path due to the increased market demand for ecommerce solutions. The COVID-19 pandemic had a slight negative impact on customer acquisition and the launch of customer delivery projects in the tourism, restaurant, and leisure sectors.

Solteq Group's second-quarter revenue and profitability increased clearly relative to the comparison period. Solteq Group's revenue increased by 22.6 percent and was EUR 18.5 million. Approximately four fifths of the growth was organic. The Group's operating profit was EUR 2.4 million, up by 64.7 percent from the comparison period. The Group's operating profit margin was 13.2 percent. The company's EBITDA increased by 37.5 percent relative to the comparison period, amounting to EUR 3.7 million. Solteq Group's EBITDA margin was 20.2 percent.

Solteq Group's business operations are organized into two segments: Solteq Software (software business) and Solteq Digital (services business). During the second quarter, Solteq Software segment accounted for just over one-third of the Group's revenue, and Solteq Digital segment for just under two-thirds. Solteq Software accounted for 33.8 percent of the Group's EBITDA. Revenue from foreign subsidiaries accounted for 21.4 percent of the Group's revenue, which increased slightly relative to the comparison period.

Both segments performed well in the second quarter. Solteq Digital returned to a growth path, as expected. The revenues in both segments increased relative to the comparison period – by 13.0 percent in Solteq Digital and by 44.6 percent in Solteq Software. Also, the profitability clearly improved relative to the comparison period, and the EBITDA increased by 41.1 percent in Solteq Digital and by 31.1 percent in Solteq Software. The second-quarter operating profit was up by 72.8 percent in Solteq Digital and by 43.0 percent in Solteq Software, relative to the comparison period.

The business outlook for Solteq is good both domestically and internationally. Demand in Solteq's key solution areas is expected to remain good during the second half of the year. The digital future affects 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's 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 more efficient and smarter core functions due to the rapidly progressing 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.

The 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, the societal changes in the industry's regulation, and the potential of more streamlined business operations created by the developing technology.

Solteq Utilities business consists of software solutions and expert services. The offering takes comprehensively into account the Nordic and EU level regulatory changes in the utilities sector. These changes include for example 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, together 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 2021 the Nordic utilities sector will invest over EUR 900 million in software solutions and approximately EUR 1.5 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 1.5 billion in software solutions and approximately EUR 2.1 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 transformed – not only by the quickly advancing digital disruption – but also by the changing consumer behavior and needs. Customers in digital channels already have high expectations in terms of fluency, personalized service, and the 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 2021, the Nordic retail and service sectors will invest over EUR 500 million in software solutions, and approximately EUR 1.8 billion in IT expert services. As the digital disruption continues to advance and consumer behavior continues to evolve, investment needs in the Nordics will increase by 2025 to about EUR 900 million in software solutions, and to around EUR 2.9 billion in IT expert services.

Revenue and profit

April–June

Revenue for second quarter increased by 22.6 percent compared to the previous year and totaled EUR 18,487 thousand (15,080). Operating profit for the review period was EUR 2,440 thousand (1,481). Comparable operating profit was EUR 2,481 thousand (1,507). Profit before taxes was EUR 1,989 thousand (995) and the profit for the financial period was EUR 1,551 thousand (779).

January–June

Revenue increased by 16.6 percent compared to the previous year and totaled EUR 35,870 thousand (30,754). Operating profit for the review period was EUR 4,672 thousand (2,197). Comparable operating profit was EUR 4,777 thousand (2,387). Profit before taxes was EUR 3,827 thousand (1,104) and the profit for the financial period was EUR 3,007 thousand (819).

Solteq Digital

April–June

Solteq Digital performed well during the second quarter and significantly increased its revenue and profitability. The segment's revenue was EUR 11,880 thousand (10,510), an increase of 13.0 percent from the comparison period. The segment's EBITDA increased by 41.1 percent, to EUR 2,466 thousand (1,748). The segment's operating profit was EUR 1,866 thousand (1,080), up by 72.8 percent from the comparison period.

The segment's business consists of three solution areas: digital business and commerce solutions, data-driven solutions, and business solutions. Of the segment's revenue, 45.1 percent was derived from digital business and commerce solutions, 20.1 percent from data-driven solutions, and 34.8 percent from business solutions.

The segment's growth was fueled by increased market demand in the key business areas and success in customer acquisition. In addition, numerous significant new customer projects were launched during the period. The COVID-19 pandemic continued to slow down customer projects within the travel, service, and leisure sectors.

January–June

The business of Solteq Digital segment developed well during the review period. Specifically, the profitability of the segment improved. Solteq Digital's revenue was EUR 23,054 thousand (21,846), up by 5.5 percent relative to the comparison period. The EBITDA increased by 49.7 percent from the comparison period to EUR 4,411 thousand (2,946). The operating profit was EUR 3,194 thousand (1,619), which was a significant improvement with an increase of 97.2 percent. The business is expected to develop in a positive manner towards the end of the year.

Solteq Digital	4-6/2021	4-6/2020	Change %	1-6/2021	1-6/2020	Change %	1-12/2020
Revenue, TEUR	11,880	10,510	13.0	23,054	21,846	5.5	41,610
Comparable EBITDA, TEUR	2,466	1,774	39.0	4,449	3,086	44.2	6,236
Comparable EBITDA, %	20.8	16.9		19.3	14.1		15.0
EBITDA, TEUR	2,466	1,748	41.1	4,411	2,946	49.7	5,856
EBITDA, %	20.8	16.6		19.1	13.5		14.1
Comparable operating profit, TEUR	1,866	1,106	68.7	3,232	1,759	83.7	3,499
Comparable operating profit, %	15.7	10.5		14.0	8.1		8.4
Operating profit, TEUR	1,866	1,080	72.8	3,194	1,619	97.2	3,119
Operating profit, %	15.7	10.3		13.9	7.4		7.5

Solteq Software

April–June

The second quarter for the Solteq Software segment was a time of strong growth. The segment's revenue was EUR 6,607 thousand (4,570), up by 44.6 percent. The profitability of the segment significantly improved during the period: the EBITDA was EUR 1,261 thousand (962), an increase of 31.1 percent on the comparison period. Operating profit amounted to EUR 574 thousand (401), an increase of 43.0 percent on the comparison period. Recurring revenue accounted for 28.8 percent of the segment's revenue.

The segment's business primarily consists of the Utilities business and the Retail sector's software and services. The Utilities business contributed 59.4 percent and the Retail business 34.2 percent to the segment's revenue. The COVID-19 pandemic continued to slow down customer acquisition and customer projects of Retail solutions within the travel, restaurant, and leisure sectors.

January–June

The Solteq Software segment performed very well during the review period. The segment's January-June revenue was EUR 12,816 thousand (8,908), up by 43.9 percent relative to the comparison period. The profitability of the segment improved significantly during the review period: The EBITDA was EUR 2,805 thousand (1,638), an increase of 71.2 percent on the comparison period. Operating profit amounted to EUR 1,478 thousand (578), an increase of 155.6 percent on the comparison period.

During the review period, the Utilities business expanded to consulting and professional services with the business transfer agreement with Partiture Oy on March 1, 2021. Solteq's Utilities business area was organized into two parallel units: Utilities Consulting provides business strategic and data-driven

expert services, and Utilities Software focuses on solutions utilizing the company's own software products.

The review period was also in line with expectations for the software and services of the Retail sector business area. In particular, the omnichannel business features of the solutions, as well as cloud-based, versatile integration capabilities and open interfaces, create a significant competitive advantage for Solteq Software.

Important milestones were reached regarding the commercialization of Solteq Robotics solutions during the review period. Namely, the first commercial pilot project for Solteq Retail Robot in collaboration with a Finnish retail chain was carried out and a pilot project featuring the benefits of Solteq Indoor Logistics Robot in a hospital environment was launched. The company will continue to investigate the possibility of incorporating the Solteq Robotics business area.

Recurring revenue accounted for 28.9 percent of the segment's revenue. This was lower than the company's 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 review period, Solteq invested EUR 1,262 thousand in product development. Product development investments are estimated to be approximately EUR 2,500 thousand for the current year. As the company's own products are commercialized, the company's annual product development investments will account for 10 to 15 percent of the Software segment's revenue.

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

Solteq Software	4-6/2021	4-6/2020	Change %	1-6/2021	1-6/2020	Change %	1-12/2020
Revenue, TEUR	6,607	4,570	44.6	12,816	8,908	43.9	18,842
Comparable EBITDA, TEUR	1,302	962	35.3	2,873	1,688	70.2	4,574
Comparable EBITDA, %	19.7	21.1		22.4	19.0		24.3
EBITDA, TEUR	1,261	962	31.1	2,805	1,638	71.2	4,524
EBITDA, %	19.1	21.1		21.9	18.4		24.0
Comparable operating profit, TEUR	615	401	53.2	1,545	628	146.0	2,281
Comparable operating profit, %	9.3	8.8		12.1	7.1		12.1
Operating profit, TEUR	574	401	43.0	1,478	578	155.6	2,231
Operating profit, %	8.7	8.8		11.5	6.5		11.8

Balance sheet and financing

Total assets amounted to EUR 76,936 thousand (77,261). Liquid assets totaled EUR 5,991 thousand (7,755). 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 Business Finland loan for product development (1,207).

The Group's interest-bearing liabilities were EUR 30,426 thousand (33,468).

Solteq Group's equity ratio was 35.3 percent (33.1).

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 maturity distribution of financial liabilities is presented in the tables section of this Half-Year Report.

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 2020. 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 3,895 thousand (3,755). Of the net investments, EUR 2,350 thousand were related to the business transfer agreement with Partiture Oy on March 1, 2021. During the comparison period, no acquisitions were performed. EUR 1,262 thousand (1,767) 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 283 thousand (1,988). Other investments include the net change in rented premises and equipment, totaling EUR 223 thousand (1,699).

Capitalized development costs included EUR 964 thousand (1,177) of staff costs.

Personnel

The number of permanent employees at the end of the review period was 650 (595).

Key figures for Group's personnel

	4-6/2021	4-6/2020	1-6/2021	1-6/2020	1-12/2020
Average number of personnel during period			628	592	593
Employee benefit expenses, TEUR	9,064	8,060	17,714	16,251	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 Half-Year Report.

Shares, shareholders, and treasury shares

Solteq Plc's equity on June 30, 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 14.2 million shares (1.5) and EUR 70.1 million (1.7). The highest rate during the review period was EUR 6.68 and lowest rate EUR 2.56. The weighted average rate of the share was EUR 4.94 and end rate EUR 5.74. The market value of the company's shares at the end of the review period totaled EUR 111.3 million (22.8).

Ownership

At the end of the review period, Solteq had a total of 6,359 shareholders (2,350). Solteq's 10 largest shareholders owned 10,662 thousand shares i.e. they owned 55.0 percent of the company's shares and votes. Solteq Plc's members of the Board of Directors and CEO owned 592 thousand shares on June 30, 2021 (592).

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.

Events after the review period

The company's management is not aware of any events of material importance after the review period that might have affected the preparation of the Half-Year Report.

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 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.

The 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 result budget for 2021 and operating result forecasts for the subsequent four years. The company's management has assessed the impairment tests of goodwill and capitalized development costs included in the 2020 financial statements in relation to the current financial period's performance and long-term expectations. Based on this, the company's management has not identified the need for additional testing of goodwill or development costs during the reporting period. 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 in the final quarter of the last 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 on June 30, 2021. 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.

Financial reporting

This Half-Year Report 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 Half-Year Report. The information presented in the Half-Year Report has not been audited.

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 has 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 will remain nearly the same. In the future, the revenue will be 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 Half-Year Report.

Financial information

Consolidated statement of comprehensive income

TEUR	4-6/2021	4-6/2020	1-6/2021	1-6/2020	1-12/2020
Revenue	18,487	15,080	35,870	30,754	60,452
Other income	61	112	108	134	279
Materials and services	-1,991	-1,405	-3,939	-3,076	-5,936
Employee benefit expenses	-10,758	-9,521	-20,947	-19,041	-36,891
Other expenses	-2,072	-1,556	-3,875	-4,187	-7,523
Depreciations and impairments	-1,287	-1,228	-2,545	-2,387	-5,030
Operating profit	2,440	1,481	4,672	2,197	5,350
Financial income and expenses	-451	-486	-845	-1,094	-2,613
Profit before taxes	1,989	995	3,827	1,104	2,737
Income taxes	-439	-217	-820	-285	-757
Profit for the financial period	1,551	779	3,007	819	1,980
Other comprehensive income to be reclassified to profit or loss in subsequent periods					
Currency translation differences	48	55	4	-24	1
Other comprehensive income, net of tax	48	55	4	-24	1
Total comprehensive income	1,599	834	3,011	794	1,981
Total profit for the period attributable to owners of the parent	1,551	779	3,007	819	1,980
Total comprehensive income attributable to owners of the parent	1,599	834	3,011	794	1,981
Earnings per share, EUR (undiluted)	0.08	0.04	0.16	0.04	0.10
Earnings per share, EUR (diluted)	0.08	0.04	0.16	0.04	0.10

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

Consolidated statement of financial position

TEUR	30 Jun 2021	30 Jun 2020	31 Dec 2020
Assets			
Non-current assets			
Tangible assets	327	545	433
Right-of-use assets	5,936	7,706	6,933
Intangible assets			
Goodwill	40,933	38,845	38,949
Other intangible assets	11,857	11,250	11,277
Other investments	438	481	441
Other long-term receivables	158	158	158
Non-current assets total	59,649	58,983	58,190
Current assets			
Inventories	58	125	74
Trade and other receivables	11,238	10,398	11,540
Cash and cash equivalents	5,991	7,755	4,877
Current assets total	17,287	18,278	16,492
Total assets	76,936	77,261	74,681
Equity and liabilities			
Equity attributable to equity holders of the parent company			
Share capital	1,009	1,009	1,009
Share premium reserve	75	75	75
Distributable equity reserve	13,260	12,910	12,910
Retained earnings	12,616	11,328	12,515
Total equity	26,960	25,322	26,509
Non-current liabilities			
Deferred tax liabilities	607	502	567
Financial liabilities	24,177	25,492	24,138
Lease liabilities	4,035	5,498	4,830
Non-current liabilities total	28,819	31,492	29,536
Current liabilities			
Trade and other payables	18,884	17,920	16,173
Provisions	59	50	61
Lease liabilities	2,214	2,478	2,402
Current liabilities total	21,158	20,447	18,636
Total equity and liabilities	76,936	77,261	74,681

Consolidated cash flow statement

TEUR	1-6/2021	1-6/2020	1-12/2020
Cash flow from operating activities			
Profit for the financial period	3,007	819	1,980
Adjustments for operating profit	3,693	3,700	7,574
Changes in working capital	1,263	1,264	-60
Interests paid	-176	-458	-3,218
Interests received	10	19	25
Net cash from operating activities	7,797	5,345	6,302
Cash flow from investing activities			
Acquisition of subsidiaries and businesses	-1,000		
Disposal of other shares and holdings			38
Divested businesses		4,071	4,071
Investments in tangible and intangible assets	-1,547	-2,090	-3,477
Net cash used in investing activities	-2,547	1,981	631
Cash flow from financing activities			
Long-term loans, increase		7	23,262
Short-term loans, decrease		-2,000	-26,500
Payment of finance lease liabilities	-1,227	-1,225	-2,465
Dividend payment	-2,909		
Net cash used in financing activities	-4,137	-3,218	-5,704
Changes in cash and cash equivalents	1,114	4,107	1,230
Cash and cash equivalents at the beginning of period	4,877	3,648	3,648
Cash and cash equivalents at the end of period	5,991	7,755	4,877

Consolidated statement of changes in equity

TEUR	Share capital	Share premium account	Invested unrestricted equity reserve	Currency translation difference	Retained earnings	Total
Equity 1 Jan 2020	1,009	75	12,910	-100	10,633	24,528
Profit for the financial period					819	819
Other items on comprehensive income				-24		-24
Total comprehensive income	0	0	0	-24	819	794
Transactions with owners						
Returned dividends					0	0
Transactions with owners	0	0	0	0	0	0
Equity 30 Jun 2020	1,009	75	12,910	-124	11,452	25,322
Equity 1 Jan 2021	1,009	75	12,910	-99	12,613	26,509
Profit for the financial period					3,007	3,007
Other items on comprehensive income				4		4
Total comprehensive income	0	0	0	4	3,007	3,011
Transactions with owners						
Dividends paid					-2,909	-2,909
Share issue			350			350
Transactions with owners	0	0	350	0	-2,909	-2,559
Equity 30 Jun 2021	1,009	75	13,260	-95	12,711	26,960

Revenue from contracts with customers

Solteq Digital

TEUR	4-6/2021	4-6/2020	1-6/2021	1-6/2020	1-12/2020
Services	11,293	9,832	21,683	20,415	38,663
Software and hardware sales	587	678	1,371	1,431	2,947
Total	11,880	10,510	23,054	21,846	41,610

Solteq Software

TEUR	4-6/2021	4-6/2020	1-6/2021	1-6/2020	1-12/2020
Services	4,299	2,820	8,422	5,428	11,739
Recurring revenue / SaaS	1,900	1,723	3,709	3,381	6,738
Non-recurring sales	408	27	685	98	365
Total	6,607	4,570	12,816	8,908	18,842
Group total	18,487	15,080	35,870	30,754	60,452

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
Total	11,336	10,510	9,158	10,605	41,610

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
Total	4,338	4,570	4,131	5,803	18,842
Group total	15,674	15,080	13,289	16,408	60,452

Total investments

TEUR	4-6/2021	4-6/2020	1-6/2021	1-6/2020	1-12/2020
Group total	531	1,630	3,895	3,755	5,456

Maturity of financial liabilities

	Book value	Contractual cash flows	1-12 months	13-24 months	25-36 months	Later
TEUR						
Financial liabilities, 30 Jun 2021						
Bond	22,715	28,532	1,383	1,383	1,383	24,383
Loans from financial institutions	1,463	1,537	12	95	414	1,017
Lease liabilities	6,249	6,435	2,424	1,714	1,482	815
Trade payables	3,814	3,814	3,814			
Financial liabilities total	34,240	40,318	7,633	3,192	3,278	26,214
Financial assets, 30 Jun 2021						
Trade receivables	9,612					
Cash and cash equivalents	5,991					
Financial assets total	15,603					

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 Half-Year Report.

Liabilities

TEUR	30 Jun 2021	30 Jun 2020	31 Dec 2020
Business mortgages	10,000	10,000	10,000
Off-balance sheet lease liabilities	1,552	1,160	1,412

Related party transactions

TEUR	4-6/2021	4-6/2020	1-6/2021	1-6/2020	1-12/2020
Purchases		1		3	3
Total	0	1	0	3	3

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

Major shareholders June 30, 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.	Varma Mutual Pension Insurance Company	1,545,597	7.97
4.	Ilmarinen Mutual Pension Insurance Company	1,401,293	7.22
5.	Saadetdin Ali	1,004,000	5.18
6.	Aktia Capital Mutual Fund	770,000	3.97
7.	Aalto Seppo Tapio	630,000	3.25
8.	Säästöpankki Small Cap Mutual Fund	500,000	2.58
9.	Väätäinen Olli Pekka	400,000	2.06
10.	OP-Finland Micro Cap	350,000	1.80
10 largest shareholders total		10,661,659	54.97
Total of nominee-registered		1,354,075	6.98
Others		7,380,767	38.05
Total		19,396,501	100.00

Financial performance indicators

	4-6/2021	4-6/2020	1-6/2021	1-6/2020	1-12/2020
Revenue, MEUR	18.5	15.1	35.9	30.8	60.5
Change in revenue, %	22.6	2.9	16.6	3.9	3.7
Operating profit, MEUR	2.4	1.5	4.7	2.2	5.4
% of revenue	13.2	9.8	13.0	7.1	8.9
Profit before taxes, MEUR	2.0	1.0	3.8	1.1	2.7
% of revenue	10.8	6.6	10.7	3.6	4.5
Net investments in non-current assets, MEUR	0.5	1.6	3.9	3.8	5.5
Equity ratio, %			35.3	33.1	35.5
Net debt, MEUR			24.4	25.7	26.5
Gearing, %			90.6	101.5	99.9
Return on equity, rolling 12 months, %			15.8	11.2	7.8
Return on investment, rolling 12 months, %			13.9	10.0	9.1
Personnel at end of period			650	595	597
Personnel average for period			628	592	593

Key indicators per share

	4-6/2021	4-6/2020	1-6/2021	1-6/2020	1-12/2020
Earnings per share, EUR (undiluted)	0.08	0.04	0.16	0.04	0.10
Earnings per share, EUR (diluted)	0.08	0.04	0.16	0.04	0.10
Equity per share, EUR			1.39	1.31	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 Half-Year Report. 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	4-6/2021	4-6/2020	1-6/2021	1-6/2020	1-12/2020
Operating profit (EBIT)	2,440	1,481	4,672	2,197	5,350
Items affecting comparability					
Business acquisition costs			64		
Non-recurring severance packages	41	26	41	190	430
Total items affecting comparability	41	26	105	190	430
Comparable operating profit (EBIT)	2,481	1,507	4,777	2,387	5,780

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 2.35 million.

Acquired businesses

	Acquisition date
TEUR	1 Mar 2021
Intangible assets	448
Total assets	448
Deferred tax liabilities	90
Total liabilities	90
Net assets acquired	359
Total consideration	2,350
Goodwill	1,991

EUR 350 thousand of the business acquisition purchase price was paid for with new Solteq shares, 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 will be paid on December 15, 2021.

There were no acquisitions during the comparison period.

Financial reporting in 2021

Solteq Plc's financial information bulletins in 2021 have been scheduled as follows:

- Interim Report 1-9/2021 Thursday October 28, 2021 at 8.00 am

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

Further information:

CEO Olli Väätäinen

Tel: +358 50 557 8111

E-mail: olli.vaatainen@solteq.com

CFO Kari Lehtosalo

Tel: +358 40 701 0338

E-mail: kari.lehtosalo@solteq.com

Distribution:

NASDAQ OMX Helsinki

Key media

www.solteq.com