

SOLTEQ

An abstract graphic consisting of several thick, pink, wavy lines that flow from the left side of the page towards the right. The lines are layered, creating a sense of depth and movement. They start as a single line on the left and then branch out into multiple parallel lines that curve and dip before rising again on the right side.

Interim Report

JANUARY 1–SEPTEMBER 30, 2022

Solteq Plc Interim Report January 1–September 30, 2022

The profitability of Solteq was weakened by difficulties in the development of software products and the diminished expert services business

July–September

- Revenue totaled EUR 14.4 million (14.9) and decreased by 3.7 percent
- EBITDA was EUR 0.8 million (2.4) and EBITDA percent was 5.6 (16.2)
- Operating result was EUR -5.0 million (1.1) and operating result percent was -34.9 (7.6), including a EUR 4.4 million write-off for the Solteq Robotics business
- Earnings per share was EUR -0.23 (0.03)

January–September

- Revenue totaled EUR 51.5 million (50.8) and increased by 1.5 percent
- EBITDA was EUR 5.3 million (9.6) and EBITDA percent was 10.3 (19.0)
- Operating result was EUR -3.2 million (5.8) and operating result percent was -6.2 (11.4), including a EUR 4.4 million write-off for the Solteq Robotics business
- Earnings per share was EUR -0.19 (0.18)
- Solteq Group's equity ratio was 31.9 percent (36.8)
- Net cash flow from operating activities was EUR 3.6 million (7.4)

Key figures

	7-9/2022	7-9/2021	Change %	1-9/2022	1-9/2021	Change %	1-12/2021	Rolling 12mos
Revenue, TEUR	14,351	14,909	-3.7	51,526	50,779	1.5	69,055	69,803
EBITDA, TEUR	797	2,422	-67.1	5,293	9,638	-45.1	12,267	7,922
Comparable EBITDA, TEUR	877	2,502	-64.9	5,746	9,824	-41.5	12,556	8,478
Operating result, TEUR	-5,005	1,130	-542.9	-3,207	5,802	-155.3	7,123	-1,886
Comparable operating result, TEUR	-507	1,210	-141.9	1,664	5,988	-72.2	7,412	3,088
Result for the financial period, TEUR	-4,445	490	-1,007.9	-3,740	3,496	-207.0	4,100	-3,136
Earnings per share, EUR	-0.23	0.03	-1,012.7	-0.19	0.18	-206.8	0.21	-0.16
Operating result, %	-34.9	7.6		-6.2	11.4		10.3	-2.7
Comparable operating result, %	-3.5	8.1		3.2	11.8		10.7	4.4
Equity ratio, %				31.9	36.8		36.9	34.3

Profit guidance 2022 (updated on September 19, 2022)

Solteq Group's revenue is expected to stay at the same level and operating profit to be negative.

CEO Aarne Aktan:

Solteq Plc had a weak third quarter. The Group's revenue was EUR 14.4 million and comparable operating result EUR -0.5 million. The revenue decreased by 3.7 percent and comparable operating result by 141.9 percent from the comparison period. In addition, the company wrote off the product development investments made to the Solteq Robotics business, resulting to a one-time negative impact of EUR 4.4 million on the company's operating result. The operating result of the review period was EUR -5.0 million.

The difficulties were mainly caused by decrease in the revenue and profitability of the Solteq Digital segment and challenges in the development of the Solteq Software segment's Utilities software products. Solteq published a profit warning on September 19, 2022 and lowered its guidance for both revenue and operating result.

The Solteq Software segment accounted for over one-third of the Group's revenue, and the Solteq Digital segment for less than two-thirds. Solteq Software's profitability was affected by difficulties in product development in the Solteq Utilities business area. This increased delivery costs for projects and services and decreased customer invoicing. The revenue and profitability of Solteq Digital were weakened by slower than expected sales and delays in the commencement of customer projects. Foreign subsidiaries accounted for 23.4 percent of the Group's revenue during the quarter. Due to the weakened profitability, the company is actively trying to find ways to improve profitability.

Russian invasion of Ukraine, increasing inflation, and changes in the energy sector caused insecurities in the operating environment during the third quarter. Economic insecurity was reflected in customer organizations' cautiousness and decreased demand. Going forward, the high inflation and rising interest rates will affect the Group's cost level.

Despite the company's difficulties and changes in the operating environment, the outlook for Solteq Group's international and domestic business is estimated to remain stable. Demand in the key solution areas of Solteq Software is expected to create significant growth opportunities, especially in the energy sector. In Solteq Digital, growth will be driven by the internationalizing customer base and new technological solutions. Solteq Group is updating its business strategy and will release it within the current quarter. Solteq continues to strengthen its international operations and to develop the Utilities business for profitable, international growth.

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.

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.

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.

Russian invasion of Ukraine and labor shortage create uncertainties in the marketplace

The Russian invasion of Ukraine has had no immediate impact in the Company's business. In the long run, the war may affect demand for IT solutions and expert services provided by the Company due to the weakened economy and customers' decreased ability to make investments. In addition, the changed cyber security environment increases the risk for denial-of-service attacks, which could affect the

reliability of cloud services. Solteq has put long-term effort in the prevention of information security threats to its own operations.

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 for experts is particularly high in areas including cloud technology, artificial intelligence, data, system development and architecture, and automation. The labor 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

July–September

Revenue for the third quarter decreased by 3.7 percent compared to the previous year and totaled EUR 14,351 thousand (14,909). Operating result for the review period was EUR -5,005 thousand (1,130). Comparable operating result was EUR -507 thousand (1,210). Result before taxes was EUR -5,455 thousand (680) and the result for the financial period was EUR -4,445 thousand (490).

January–September

Revenue increased by 1.5 percent compared to the previous year and totaled EUR 51,526 thousand (50,779). Operating profit for the review period was EUR -3,207 thousand (5,802). Comparable operating profit was EUR 1,664 thousand (5,988). Result before taxes was EUR -4,532 thousand (4,507) and the result for the financial period was EUR -3,740 thousand (3,496).

Solteq Digital

July–September

In the Solteq Digital segment, revenue and profitability were affected by slower than expected sales, major customer delivery projects reaching the production phase, and delays in the start of certain customer projects. The segment's revenue was EUR 8,636 thousand (9,549), a decrease of 9.6 percent. For July-September, the EBITDA was EUR 633 thousand (1,460) and the operating result EUR 128 thousand (886).

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, 46.7 percent was derived from digital business and commerce solutions, 19.7 percent from data and analytics solutions, and 33.6 percent from business solutions.

January–September

The Solteq Digital segment's revenue was EUR 31,830 thousand (32,602), a decrease of 2.4 percent relative to the comparison period. The segment's EBITDA was EUR 4,521 thousand (5,910) and the operating result EUR 2,964 thousand (4,118).

Demand in key business areas, such as digital business and commerce solutions, is expected to remain at a good level during the ongoing quarter. The internationalizing customer base and new technology solutions create a good foundation for positive business segment development in the future.

Solteq Digital	7-9/2022	7-9/2021	Change %	1-9/2022	1-9/2021	Change %	1-12/2021
Revenue, TEUR	8,636	9,549	-9.6	31,830	32,602	-2.4	44,302
Comparable EBITDA, TEUR	678	1,520	-55.4	4,751	5,969	-20.4	7,969
Comparable EBITDA, %	7.8	15.9		14.9	18.3		18.0
EBITDA, TEUR	633	1,460	-56.6	4,521	5,910	-23.5	7,916
EBITDA, %	7.3	15.3		14.2	18.1		17.9
Comparable operating result, TEUR	173	946	-81.7	3,193	4,178	-23.6	5,617
Comparable operating result, %	2.0	9.9		10.0	12.8		12.7
Operating result, TEUR	128	886	-85.5	2,964	4,118	-28.0	5,563
Operating result, %	1.5	9.3		9.3	12.6		12.6

Solteq Software

July–September

During the third quarter, difficulties in product development of Solteq Utilities and the resulting increase in project delivery costs and decrease in customer invoicing affected the profitability. Solteq Software segment's revenue was EUR 5,714 thousand (5,360), an increase of 6.6 percent. The segment's comparable EBITDA was EUR 200 thousand (982) and comparable operating result EUR -679 thousand (264). During the third quarter, the company wrote off the investments and product development costs made to the Solteq Robotics business, resulting to a one-time negative impact of EUR 4,418 thousand on the company's and the segment's operating result.

The segment's business consists primarily of the Utilities business and retail sector software and services. The Utilities business accounted for 52.4 percent and the Retail business for 39.6 percent of the segment's revenue.

January–September

Solteq Software segment's revenue was EUR 19,696 thousand (18,176), an increase of 8.4 percent. The segment's comparable EBITDA was EUR 995 thousand (3,855) and comparable operating result EUR -1,530 thousand (1,810).

The Utilities portfolio expanded with the acquisition of Energy Solutions Oy. The acquisition strengthens the Company's leading expert position in the changing energy sector and creates opportunities for growth within the international market. A significant milestone was reached in February as the customers switched to the centralized information exchange system, Datahub. The introduction of a centralized information exchange system has been a significant step towards a flexible electricity retail market of the future. Going forward, Datahub will be further developed to meet the needs of the changing energy market, and it will enable, among other things, the formation of energy communities and the introduction

of a 15-minute imbalance settlement period in 2023. Solteq Utilities will continue to invest in product development and internationalization.

In the product development of Retail business area, the Nordic launch of Solteq Commerce Cloud was one of the key focus areas. Aimed at the retail and service sectors, the solution is being implemented at several new customer organizations, such as Royal Arena in Copenhagen. Cloud-based technology, versatile integration capabilities, open interfaces, and features supporting omnichannel business create significant competitive advantage for Solteq Software's Retail business.

Recurring revenue accounted for 36.7 percent of the segment's revenue. This was lower than previous estimates, due to high amount of expert work related to delivery projects. 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 2,764 thousand in product development and wrote off EUR 4,418 thousand worth of investments made to the product development of the Solteq Robotics business. 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.

Solteq Software	7-9/2022	7-9/2021	Change %	1-9/2022	1-9/2021	Change %	1-12/2021
Revenue, TEUR	5,714	5,360	6.6	19,696	18,176	8.4	24,753
Comparable EBITDA, TEUR	200	982	-79.7	995	3,855	-74.2	4,587
Comparable EBITDA, %	3.5	18.3		5.1	21.2		18.5
EBITDA, TEUR	164	961	-83.0	772	3,729	-79.3	4,352
EBITDA, %	2.9	17.9		3.9	20.5		17.6
Comparable operating result, TEUR	-679	264	-356.9	-1,530	1,810	-184.5	1,795
Comparable operating result, %	-11.9	4.9		-7.8	10.0		7.3
Operating result, TEUR	-5,133	244	-2,205.8	-6,171	1,684	-466.5	1,560
Operating result, %	-89.8	4.5		-31.3	9.3		6.3

Balance sheet and financing

Total assets amounted to EUR 75,842 thousand (74,677) at the end of the review period. Liquid assets totaled EUR 2,782 thousand (4,191). The company has a standby credit limit of EUR 5,000 thousand and a bank account credit limit of EUR 2,000 thousand. At the end of the review period, EUR 5,000 thousand (0) of the standby credit limit was in use. The bank account credit limit was 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 33,342 thousand (29,931).

Solteq Group's equity ratio was 31.9 percent (36.8).

On October 1, 2020, Solteq issued a fixed rate bond with a nominal value of EUR 23.0 million. Annual interest of 6.0 percent is paid on the bond, and it will mature on October 1, 2024. The bond can be redeemed before its final maturity date.

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 Interim Report.

Investment, research, and development

The net investments during the review period were EUR 8,472 thousand (4,738). Of the net investments, EUR 5,291 thousand (2,350) were related to business acquisitions. Solteq Plc acquired the entire share capital of Enerity Solutions Oy on January 3, 2022. During the comparison period, Solteq Plc acquired the consulting business of Partiture Oy on March 1, 2021. A total of EUR 2,764 thousand (1,999) 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 417 thousand (388). Other investments include the net change in rented premises and equipment, totaling EUR 364 thousand (323). During the review period, Solteq Plc wrote off EUR 4,418 thousand in product development investments relating to the Solteq Robotics business.

Capitalized development costs included EUR 1,775 thousand (1,491) of personnel costs.

Personnel

The number of permanent employees at the end of the review period was 678 (645).

Key figures for Group's personnel

	7-9/2022	7-9/2021	1-9/2022	1-9/2021	1-12/2021
Average number of personnel during period			678	633	637
Employee benefit expenses, TEUR	7,938	7,161	27,282	24,875	33,987

Related party transactions

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

The related party transactions and euro amounts are presented in the tables at the end of this Interim Report.

Shares, shareholders, and treasury shares

Solteq Plc's equity on September 30, 2022 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.

Exchange and rate

During the review period, the exchange of Solteq's shares in the Nasdaq Helsinki Ltd was 10.6 million shares (19.3) and EUR 33.2 million (101.2). The highest rate during the review period was EUR 4.94 and lowest rate EUR 1.2. The weighted average rate of the share was EUR 3.16 and end rate EUR 1.21. The market value of the company's shares at the end of the review period totaled EUR 23.5 million (100.5).

Ownership

At the end of the review period, Solteq had a total of 8,005 shareholders (6,996). Solteq's 10 largest shareholders owned 10,370 thousand shares, i.e. they owned 53.5 percent of the company's shares and votes. Solteq Plc's members of the Board of Directors and CEO owned 26 thousand (328) shares on September 30, 2022.

Annual General Meeting

Solteq's Annual General Meeting was held on March 24, 2022. The Annual General Meeting approved the financial statements for period January 1–December 31, 2021 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 decided that no dividend is directly distributed for the financial period ended on December 31, 2021 by a resolution of the Annual General Meeting but that the Annual General Meeting authorized the Board of Directors to decide, at its sole discretion, on the distribution of dividends of a maximum amount of EUR 0.10 per share from retained earnings. The authorization was valid until September 30, 2022 (including September 30, 2022) and the board did not use it.

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 the 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 of business acquisitions and other business improvement arrangements. The authorization cannot be used to implement the company's incentive schemes. The authorization includes the right for the Board of Directors to decide on the other terms concerning the share issue and the granting of special rights, including the subscription price and 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, 2023 (April 30, 2023 included).

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 part of the implementation of the company's incentive schemes as follows:

The maximum total amount of shares or other rights is 1,000,000. The authorization includes the right to give new shares and special rights or convey the company's own shares. The authorization includes the right to deviate from the shareholders' pre-emptive right of subscription as part of the implementation of the company's incentive schemes, in which case there is a weighty financial reason for the company. The authorization includes the right for the Board of Directors to decide on the other terms concerning the share issue and the granting of special rights, including the subscription price and payment of the subscription price in cash 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, 2023 (April 30, 2023 included).

The Annual General Meeting authorized the Board of Directors to decide on repurchasing of the company's own shares as follows:

On the basis of the authorization the number of own shares to be repurchased shall not exceed 500,000 shares. Shares may be repurchased in one or more lots. The Company may use only unrestricted equity to repurchase own shares. Repurchase of own shares may be made otherwise than in proportion to the share ownership of the shareholders (directed repurchase). The purchase price shall be at least the lowest price paid for the company's shares in regulated trading at the time of purchase and no more than the highest price paid for Company shares in regulated trading at the time of purchase. Own shares can be purchased to be used to improve the capital structure of the company, to execute of business acquisitions and other business improvement arrangements or as a part of the implementation the company's incentive schemes. The authorization is effective until the next annual general meeting, however, no longer than until April 30, 2023 (April 30, 2023 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 all other terms concerning the accepting as pledge. The authorization is effective until the next Annual General Meeting, however, no longer than until April 30, 2023 (April 30, 2023 included).

Board of Directors and auditors

The Annual General Meeting on March 24, 2022 decided to appoint six members to the Board of Directors. Aarne Aktan, Markku Pietilä, Panu Porkka, and Katarina Segerståhl were re-elected and Anni Sarvaranta and Mika Sutinen were elected as members of the Board of Directors for the term expiring at the end of the Annual General Meeting of 2023.

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

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

Aarne Aktan resigned from the Board of Directors and Audit Committee of Solteq Plc on July 1, 2022 as he assumed the role of CEO of the Company. Thereafter, Solteq's Board of Directors consists of five members. The Audit Committee was reorganized by the appointment of Mika Sutinen as a member and Chairman of the Committee.

Other events during 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 Interim Report 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 Interim CEO as of February 1, 2022.

On April 1, 2022, Solteq Plc announced that the Company's Board of Directors has appointed Aarne Aktan as the new Chief Executive Officer of the Company. Aktan will begin in his duties on July 1, 2022, at the latest. Aarne Aktan has been a member of Solteq's Board of Directors since 2015, and he will continue as a member of the Board until taking over his CEO duties. Thereafter Solteq's Board of Directors consists of five board members.

On May 25, 2022, Solteq Plc announced it is lowering its revenue and profit guidance for 2022. The new profit guidance for 2022 is: Solteq Group's revenue is expected to grow and profit to weaken. The previous 2022 profit guidance, published on April 28, 2022 as a part of the year's first Interim Report, was: Solteq Group's revenue is expected to grow clearly and operating profit to improve. The company's long-term financial goals remain unchanged.

On August 11, 2022, Solteq Plc announced the reorganization of the Audit Committee of the Board of Directors by the appointment of Mika Sutinen as a member of the Committee. Going forward, the Audit Committee consists of Mika Sutinen (Chairman), Katarina Segerståhl, and Markku Pietilä.

On September 19, 2022, Solteq Plc announced it is lowering its revenue and profit guidance for 2022. The new profit guidance for 2022 is: Solteq Group's revenue is expected to stay at the same level and operating profit to be negative. At the same time Solteq announced the write-off of product development investments made to the Solteq Robotics business. The write-off was made during the third quarter and resulted in a one-time negative impact of EUR 4.4 million on the Company's operating result of 2022. The write-off has no cash flow effect.

On September 19, 2022, Solteq Plc announced that the Company's Board of Directors has appointed Kari Lehtosalo as Executive Vice President of the Solteq Software segment. In addition to his new

responsibilities, Lehtosalo will continue his duties as the Company's CFO and member of the Executive Team.

Events after the review period

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

Risks and uncertainties

Material uncertainties and near-term risks consist of the general financial uncertainty caused by the Russian invasion of Ukraine, high inflation, and the availability of labor. The Russian invasion of Ukraine has not had an immediate effect on the Company's business. The weakened economy and other indirect effects might affect the customers' ability to make investments in the long run. In addition, the change in the security environment increases the risk of cyber attacks.

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.

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.

Financial reporting

This Interim 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 2021. The new IFRS standards, taken into use on January 1, 2022, do not have a significant impact on the Group's Interim Report. The information presented in the Interim Report has not been audited.

Financial information

Consolidated statement of comprehensive income

TEUR	7-9/2022	7-9/2021	1-9/2022	1-9/2021	1-12/2021
Revenue	14,351	14,909	51,526	50,779	69,055
Other income	11	-15	112	93	113
Materials and services	-1,507	-1,876	-5,590	-5,815	-7,903
Employee benefit expenses	-9,521	-8,548	-32,594	-29,495	-40,312
Other expenses	-2,536	-2,048	-8,161	-5,922	-8,685
Depreciations and impairments	-5,802	-1,292	-8,500	-3,837	-5,144
Operating result	-5,005	1,130	-3,207	5,802	7,123
Financial income and expenses	-450	-450	-1,325	-1,295	-1,878
Result before taxes	-5,455	680	-4,532	4,507	5,245
Income taxes	1,010	-190	792	-1,011	-1,145
Result for the financial period	-4,445	490	-3,740	3,496	4,100
Other comprehensive income to be reclassified to profit or loss in subsequent periods					
Currency translation differences	-31	-38	-100	-34	-46
Other comprehensive income, net of tax	-31	-38	-100	-34	-46
Total comprehensive income	-4,476	451	-3,840	3,462	4,055
Total profit for the period attributable to owners of the parent	-4,445	490	-3,740	3,496	4,100
Total comprehensive income attributable to owners of the parent	-4,476	451	-3,840	3,462	4,055
Earnings per share, EUR (undiluted)	-0.23	0.03	-0.19	0.18	0.21
Earnings per share, EUR (diluted)	-0.23	0.03	-0.19	0.18	0.21

Consolidated statement of financial position

TEUR	30 Sep 2022	30 Sep 2021	31 Dec 2021
Assets			
Non-current assets			
Tangible assets	112	275	244
Right-of-use assets	3,904	5,427	5,010
Intangible assets			
Goodwill	46,423	40,926	42,325
Other intangible assets	8,866	11,954	12,092
Other investments	437	438	438
Other long-term receivables	1,280	158	198
Non-current assets total	61,022	59,178	60,307
Current assets			
Inventories	128	62	207
Trade and other receivables	11,909	11,247	11,705
Cash and cash equivalents	2,782	4,191	3,588
Current assets total	14,820	15,499	15,500
Total assets	75,842	74,677	75,806
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	13,260	13,260
Retained earnings	9,820	13,067	13,660
Total equity	24,164	27,411	28,004
Non-current liabilities			
Deferred tax liabilities	701	587	610
Financial liabilities	24,200	24,197	24,217
Lease liabilities	2,100	3,649	3,330
Non-current liabilities total	27,001	28,434	28,158
Current liabilities			
Financial liabilities	5,080		
Trade and other payables	17,549	16,684	17,595
Provisions	85	64	73
Lease liabilities	1,963	2,084	1,976
Current liabilities total	24,677	18,832	19,644
Total equity and liabilities	75,842	74,677	75,806

Consolidated cash flow statement

TEUR	1-9/2022	1-9/2021	1-12/2021
Cash flow from operating activities			
Profit for the financial period	-3,740	3,496	4,100
Adjustments for operating profit	8,705	5,319	7,096
Changes in working capital	-1,042	-1,136	514
Interests paid	-302	-275	-1,772
Interests received	14	19	16
Net cash flow from operating activities	3,635	7,423	9,955
Cash flow from investing activities			
Business acquisitions	-4,922	-1,000	-2,855
Investments in tangible and intangible assets	-2,710	-2,380	-3,064
Net cash used in investing activities	-7,632	-3,380	-5,920
Cash flow from financing activities			
Short-term loans, increase	5,772		
Short-term loans, decrease	-772		
Payment of finance lease liabilities	-1,808	-1,821	-2,415
Dividend payment		-2,909	-2,909
Net cash used in financing activities	3,192	-4,730	-5,325
Changes in cash and cash equivalents	-806	-687	-1,289
Cash and cash equivalents at the beginning of period	3,588	4,877	4,877
Cash and cash equivalents at the end of period	2,782	4,191	3,588

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 2021	1,009	75	12,910	-99	12,613	26,509
Profit for the financial period					3,496	3,496
Other items on comprehensive income				-34		-34
Total comprehensive income	0	0	0	-34	3,496	3,462
Transactions with owners						
Returned dividends					0	0
Dividends paid					-2,909	-2,909
Share issue			350			350
Transactions with owners	0	0	350	0	-2,909	-2,559
Equity 30 Sep 2021	1,009	75	13,260	-133	13,200	27,411
Equity 1 Jan 2022	1,009	75	13,260	-144	13,805	28,004
Result for the financial period					-3,740	-3,740
Other items on comprehensive income				-100		-100
Total comprehensive income	0	0	0	-100	-3,740	-3,840
Equity 30 Sep 2022	1,009	75	13,260	-244	10,064	24,164

Revenue from contracts with customers

Solteq Digital

TEUR	7-9/2022	7-9/2021	1-9/2022	1-9/2021	1-12/2021
Services	7,941	8,934	29,580	30,617	41,692
Software and hardware sales	695	614	2,251	1,985	2,610
Total	8,636	9,549	31,830	32,602	44,302

Solteq Software

TEUR	7-9/2022	7-9/2021	1-9/2022	1-9/2021	1-12/2021
Services	2,719	3,044	10,671	11,466	15,308
Recurring revenue / SaaS	2,468	2,014	7,230	5,723	7,789
Non-recurring sales	527	302	1,796	987	1,656
Total	5,714	5,360	19,696	18,176	24,753
Group total	14,351	14,909	51,526	50,779	69,055

Total investments

TEUR	7-9/2022	7-9/2021	1-9/2022	1-9/2021	1-12/2021
Group total	1,087	842	8,472	4,738	7,147

Maturity of financial liabilities

TEUR	Book value	Contractual cash flows	1-12 months	13-24 months	25-36 months	Later
Financial liabilities, 30 Sep 2022						
Bond	22,817	27,149	1,383	1,383	24,383	
Loans from financial institutions	1,463	1,525	95	414	359	657
Lease liabilities	4,062	4,228	2,139	1,456	625	8
Trade payables	4,198	4,198	4,198			
Financial liabilities total	32,541	37,100	7,815	3,252	25,367	666
Financial assets, 30 Sep 2022						
Trade receivables	9,619					
Cash and cash equivalents	2,782					
Financial assets total	12,401					

The company has a standby credit limit of EUR 5,000 thousand and a bank account credit limit of EUR 2,000 thousand. At the end of the review period, EUR 5,000 thousand (0) of the standby credit limit was in use. The bank account credit limit was unused at the end of the review and comparison period.

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 Interim Report.

Liabilities

TEUR	30 Sep 2022	30 Sep 2021	31 Dec 2021
Business mortgages	10,000	10,000	10,000
Off-balance sheet lease liabilities	1,594	1,620	1,642

Related party transactions

There were no related party transactions reported in the review or the comparison period.

Major shareholders September 30, 2022

		Shares and votes	
		number	%
1.	Profiz Business Solution Oy	2,072,769	10.69
2.	Elo Mutual Pension Insurance Company	2,000,000	10.31
3.	Ilmarinen Mutual Pension Insurance Company	1,651,293	8.51
4.	Varma Mutual Pension Insurance Company	1,545,597	7.97
5.	Aktia Capital Mutual Fund	770,000	3.97
6.	Aalto Seppo Tapio	615,000	3.17
7.	Saadetdin Ali Urhan	602,216	3.10
8.	Säästöpankki Small Cap Mutual Fund	500,000	2.58
9.	Incedo Ltd	313,178	1.61
10.	Säästöpankki Itämeri Mutual Fund	300,000	1.55
10 largest shareholders total		10,370,053	53.46
Total of nominee-registered		389,907	2.01
Others		8,636,541	44.53
Total		19,396,501	100.00

Financial performance indicators

	7-9/2022	7-9/2021	1-9/2022	1-9/2021	1-12/2021
Revenue, MEUR	14.4	14.9	51.5	50.8	69.1
Change in revenue, %	-3.7	12.2	1.5	15.3	14.2
Operating result, MEUR	-5.0	1.1	-3.2	5.8	7.1
% of revenue	-34.9	7.6	-6.2	11.4	10.3
Result before taxes, MEUR	-5.5	0.7	-4.5	4.5	5.2
% of revenue	-38.0	4.6	-8.8	8.9	7.6
Net investments in non-current assets, MEUR	1.1	0.8	8.5	4.7	7.1
Equity ratio, %			31.9	36.8	36.9
Net debt, MEUR			30.6	25.7	25.9
Gearing, %			126.5	93.9	92.6
Return on equity, rolling 12 months, %			-12.2	15.5	15.0
Return on investment, rolling 12 months, %			-2.1	13.3	13.0
Personnel at end of period			678	645	648
Personnel average for period			678	633	637

Key indicators per share

	7-9/2022	7-9/2021	1-9/2022	1-9/2021	1-12/2021
Earnings per share, EUR (undiluted)	-0.23	0.03	-0.19	0.18	0.21
Earnings per share, EUR (diluted)	-0.23	0.03	-0.19	0.18	0.21
Equity per share, EUR			1.25	1.41	1.44

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 Interim 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 result (EBIT)

The reconciliation of the comparable operating result to operating result is presented in the table below. The same adjusting items apply when reconciling the comparable EBITDA to EBITDA, except for the impairment in Solteq Robotics.

TEUR	7-9/2022	7-9/2021	1-9/2022	1-9/2021	1-12/2021
Operating result (EBIT)	-5,005	1,130	-3,207	5,802	7,123
Items affecting comparability					
Acquisition costs		57	124	121	189
Cost of integrating the acquired business			24		7
Non-recurring severance packages		23	36	64	68
Impairment – Solteq Robotics	4,418		4,418		
Fines and similar indemnities and damages	36		36		
Costs incurred by the re-organization of operations	45		234		25
Total items affecting comparability	4,498	80	4,871	186	289
Comparable operating result (EBIT)	-507	1,210	1,664	5,988	7,412

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: $\text{operating result} + \text{depreciation and impairments}$

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

On January 3, 2022, Solteq Plc signed an agreement to purchase the entire share capital of the energy software company Energy 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. Energy Solutions specializes in software solutions for electricity trading and grid profitability and risk management.

TEUR	1-9/2022
Consideration	
Paid in cash	5,291
Total	5,291

Values of the assets and liabilities arising from the acquisition

Tangible assets	5
Intangible assets **	577
Trade and other receivables	229
Cash and cash equivalents	869
Total assets	1,680

Trade payables and other liabilities	445
Financial liabilities	115
Total liabilities	560

The goodwill value of the acquisition **4,171**

Cash flow from the acquisition

Consideration paid in cash in 2022	5,291
Cash and cash equivalents of the acquired companies	869
Total cash flow from the acquisition	4,422

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

** Depreciations of the intangible rights during the reporting period are EUR 87 thousand.

Expenses related to the acquisition

Other expenses	124
Total expenses related to the acquisition	124

Impact on the Solteq Group's number of personnel **17**

Impact on the Solteq Group's comprehensive income statement

Revenue *	1,712
Operating profit *	551

* The amount of the revenue and the operating profit from the acquisition date to the end of the reporting period. Energy Solutions Oy is consolidated to Solteq Group as of the beginning of the reporting period. The company was merged into the parent company on June 1, 2022.

Business Combinations in the Financial Year 2021

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

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

Financial reporting

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

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