

SOLTEQ

An abstract graphic consisting of multiple thick, flowing stripes in a vibrant pink color against a dark navy blue background. The stripes originate from the left side and curve downwards and to the right, creating a sense of movement and depth. The stripes are closely spaced and overlap, giving the graphic a three-dimensional appearance.

# Interim Report

JANUARY 1 – SEPTEMBER 30, 2023

# Solteq Plc Interim Report January 1 – September 30, 2023

**Solteq returned to a growth path, heavy cost structure burdened the Utilities segment**

## July–September

- Comparable revenue totaled EUR 12.2 million (12.0) and increased by 1.9 percent. Revenue totaled EUR 12.2 million (14.4) and decreased by 14.9 percent
- Comparable EBITDA was EUR 0.6 million (0.6) and EBITDA EUR 0.5 million (0.8). Comparable EBITDA percent was 4.6 (4.7)
- Comparable operating result was EUR -0.7 million (-0.7) and operating result EUR -0.7 million (-5.0). Comparable operating result percent was -5.5 (-6.0)
- Earnings per share was EUR -0.05 (-0.23)

## January–September

- Comparable revenue totaled EUR 39.9 million (43.0) and decreased by 7.1 percent. Revenue totaled EUR 43.4 million (51.5) and decreased by 15.8 percent
- Comparable EBITDA was EUR 1.0 million (4.1) and EBITDA EUR 9.5 million (5.3). Comparable EBITDA percent was 2.4 (9.6)
- Comparable operating result was EUR -2.9 million (0.4) and operating result EUR 5.5 million (-3.2). Comparable operating result percent was -7.2 (0.9)
- The ERP business based on Microsoft BC and LS Retail was transferred to Azets Group as of May 2, 2023. The profit on the sale of the business transaction improved the group's EBITDA and operating result by EUR 8.3 million
- Earnings per share was EUR 0.15 (-0.19)
- Solteq Group's equity ratio was 36.8 percent (31.9)
- Net cash flow from operating activities was EUR -5.3 million (3.6)
- Solteq's revenue is expected to be EUR 57–59 million and operating result to be negative, excluding the one-time profit recognition of EUR 8 million on the sale of the Group's ERP business based on Microsoft BC and LS Retail solutions

## Key figures

	7-9/2023	7-9/2022	Change %	1-9/2023	1-9/2022	Change %	1-12/2022	Rolling 12mos
Revenue, TEUR	12,217	14,351	-14.9	43,390	51,526	-15.8	68,426	60,290
Comparable revenue, TEUR	12,217	11,992	1.9	39,938	42,990	-7.1	57,230	54,178
EBITDA, TEUR	538	797	-32.4	9,517	5,293	79.8	5,555	9,779
Comparable EBITDA, TEUR	565	563	0.5	977	4,131	-76.4	4,469	1,314
Operating result, TEUR	-697	-5,005	86.1	5,549	-3,207	273.0	-4,406	4,351
Comparable operating result, TEUR	-670	-716	6.5	-2,870	373	-869.3	-613	-3,856
Result for the financial period, TEUR	-975	-4,445	78.1	2,902	-3,740	177.6	-5,404	1,238
Earnings per share, EUR	-0.05	-0.23	78.1	0.15	-0.19	177.6	-0.28	0.06
Operating result, %	-5.7	-34.9		12.8	-6.2		-6.4	7.2
Comparable operating result, %	-5.5	-6.0		-7.2	0.9		-1.1	-7.1
Equity ratio, %				36.8	31.9		30.3	34.2

## Profit guidance 2023 (updated on September 19, 2023)

Solteq's revenue is expected to be EUR 57–59 million and operating result to be negative, excluding the one-time profit recognition of EUR 8 million on the sale of the Group's ERP business based on Microsoft BC and LS Retail solutions.

### CEO Aarne Aktan:

The downturn of revenue and profitability of Solteq Plc reached a turning point in the third quarter. The Group's comparable revenue was EUR 12.2 million, up 1.9 percent from the comparison period. The comparable EBITDA was EUR 0.6 million, and the comparable operating result was EUR -0.7 million.

The development in profitability was two-parted. The heavy cost structure continued to take a toll on the Utilities segment. On August 29, 2023, change negotiations were initiated to improve the profitability and operational efficiency of the Utilities software business. The negotiations were completed on October 10, 2023. As a result of the negotiations and the efficiency and cost savings measures taken, the company estimates to achieve annual cost savings of approximately EUR 3.8 million. The majority of cost savings are expected to be realized for 2024. In the Retail & Commerce segment, growth in comparable revenue and success in cost efficiency resulted in improved operating result.

Despite the improved financial performance, the revenue for Retail & Commerce was estimated in September to be weakened for the remaining financial year. This and the weakened outlook for the rest of the year for the Utilities segment resulted in a profit warning in September 2023. The company lowered its guidance for the Group's revenue and operating result.

The uncertainties in the global economic environment continue to reflect on the demand for the services and solutions offered by the Retail & Commerce segment. In the Utilities segment, persistent work on product development and quality assurance has progressed and continues. In the Nordic energy sector, demand for software solutions and expert services is driven by changes in industry regulation, the

transition to renewable energy sources, and opportunities created by emerging technologies for business efficiency.

We expect the market outlook for the Retail & Commerce segment to remain moderate during the current financial year and demand to recover as the market stabilizes. We expect the long-term market outlook for the Utilities segment to remain good and provide opportunities for profitable growth.

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

Solteq aims to meet the changing needs of the energy sector, retail industry, and e-commerce through its product development and expert services in the Nordics. Starting from January 1, 2023, the Group's reportable business segments are Utilities and Retail & Commerce. The Utilities segment offers software solutions and expert services for the energy sector, and the Retail & Commerce segment for retail and e-commerce. The business areas share similar characteristics, such as the rapidly evolving digital transformation and the need for smarter and more efficient core functions. The company estimates that its offering matches well with the industry-specific development needs where the Nordic decision-makers are focusing their IT investments in the coming years.

The demand for software solutions and expert services in the Nordic energy sector is accelerated by changes in the industry's regulation, the transition to renewable energy sources, and the potential for more streamlined business operations created by the developing technology. The business of the Utilities segment consists of software solutions and expert services, which comprehensively take into account the regulatory changes in the Nordics and EU. 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 the segment's industry-specific expertise and offering create a clear competitive advantage in the Nordic energy market.

The Russian invasion of Ukraine has created significant market uncertainties, such as high inflation and increased interest rates. The uncertainties affect the Nordic market by weakening the demand, in particular, for the offering of the Retail & Commerce segment. However, the demand is driven by the rapidly evolving digitalization and the need for the secure, reliable, and coherent IT ecosystems.

## **Revenue and profit**

### **July–September**

Revenue for the third quarter decreased by 14.9 percent compared to the previous year and totaled EUR 12,217 thousand (14,351). Operating result for the review period was EUR -697 thousand (-5,005). Comparable operating result was EUR -670 thousand (-716). Result before taxes was EUR -1,154 thousand (-5,455) and the result for the financial period was EUR -975 thousand (-4,445).

### **January–September**

Revenue decreased by 15.8 percent compared to the previous year and totaled EUR 43,390 thousand (51,526). Operating result for the review period was EUR 5,549 thousand (-3,207). Comparable

operating result was EUR -2,870 thousand (373). Result before taxes was EUR 4,970 thousand (-4,532) and the result for the financial period was EUR 2,902 thousand (-3,740).

## Retail & Commerce

### July–September

In the third quarter, the comparable revenue of the segment was EUR 9,226 thousand (9,000), up 2.5 percent from the comparison period. Comparable EBITDA for July–September was EUR 1,047 thousand (701), and the comparable operating result was EUR 364 thousand (-111).

The segment provides software solutions and expert services for the retail industry and e-commerce. Of the segment's revenue, 64.3 percent came from e-commerce solutions and expert services, 1.5 percent from ERP systems, and 34.2 percent from solutions and expert services related to the retail industry.

### January–September

The segment's comparable revenue for the review period was EUR 30,045 thousand (32,035), a decrease of 6.2 percent relative to the comparison period. The comparable EBITDA was EUR 3,111 thousand (4,086), and the comparable operating profit was EUR 883 thousand (1,643).

On April 17, 2023, Solteq announced the selling of its business based on Microsoft BC and LS Retail ERP systems to Azets Group. The transaction was completed on May 2, 2023.

Retail & Commerce	7-9/2023	7-9/2022	Change %	1-9/2023	1-9/2022	Change %	1-12/2022
Revenue, TEUR	9,226	11,358	-18.8	33,496	40,571	-17.4	53,826
Comparable revenue, TEUR	9,226	9,000	2.5	30,045	32,035	-6.2	42,629
Comparable EBITDA, TEUR	1,047	701	49.4	3,111	4,086	-23.8	4,931
Comparable EBITDA, %	11.3	7.8		10.4	12.8		11.6
EBITDA, TEUR	1,062	962	10.3	11,756	5,462	115.2	6,264
EBITDA, %	11.5	8.5		35.1	13.5		11.6
Comparable operating result, TEUR	364	-111	426.8	883	1,643	-46.3	1,695
Comparable operating result, %	3.9	-1.2		2.9	5.1		4.0
Operating result, TEUR	379	-4,374	108.7	9,405	-1,723	645.8	-1,842
Operating result, %	4.1	-38.5		28.1	-4.2		-3.4

## Utilities

### July–September

In the third quarter, the segment's revenue was EUR 2,991 thousand (2,993), down by 0.1 percent from the comparison period. Comparable EBITDA for July–September was EUR -482 thousand (-138), and the comparable operating result was EUR -1,034 thousand (-605).

Utilities offers software solutions and expert services for the energy sector. Software solutions accounted for 85.3 percent, and expert services for 14.7 percent of the segment's revenue.

### January–September

The segment's revenue for the review period was EUR 9,894 thousand (10,955), down by 9.7 percent relative to the comparison period. The segment's comparable EBITDA was EUR -2,135 thousand (45), and the comparable operating profit was EUR -3,752 thousand (-1,270).

Recurring revenue accounted for 33.9 percent of the segment's revenue and consists of software licensing, maintenance, and support fees. In the long term, the aim is to raise recurring software-based revenue to half of the Utilities segment's revenue.

The persistent work with product development and quality assurance continued throughout the review period. Progress has been made, but the fundamental activities are taking longer than initially estimated.

The segment has been exploring the business potential of the Salesforce-based customer information system, acquired in November 2022. The solution has generated customer interest and is being further developed to expand the applications from water to electricity and district heating.

On August 29, 2023, change negotiations concerning the segment's software business were initiated to restructure the organization and improve the business's profitability. As a result of the negotiations and the efficiency and cost savings measures taken, the company estimates to achieve annual cost savings of approximately EUR 3.8 million. The majority of cost savings are expected to be realized for 2024. Following the negotiations, the number of employees working for the Utilities software business was reduced by 39 in Finland. In addition, the company will implement cost savings and reduction measures in other group companies.

Utilities	7-9/2023	7-9/2022	Change %	1-9/2023	1-9/2022	Change %	1-12/2022
Revenue, TEUR	2,991	2,993	-0.1	9,894	10,955	-9.7	14,601
Comparable EBITDA, TEUR	-482	-138	-248.6	-2,135	45	-4,804.4	-462
Comparable EBITDA, %	-16.1	-4.6		-21.6	0.4		-3.2
EBITDA, TEUR	-523	-165	-216.8	-2,239	-169	-1,225.9	-710
EBITDA, %	-17.5	-5.5		-22.6	-1.5		-4.9
Comparable operating result, TEUR	-1,034	-605	-71.0	-3,752	-1,270	-195.5	-2,308
Comparable operating result, %	-34.6	-20.2		-37.9	-11.6		-15.8
Operating result, TEUR	-1,075	-632	-70.2	-3,856	-1,484	-159.9	-2,564
Operating result, %	-35.9	-21.1		-39.0	-13.5		-17.6

### Balance sheet and financing

Total assets amounted to EUR 68,896 thousand (75,842) at the end of the review period. Liquid assets totaled EUR 2,693 thousand (2,782). The company has a standby credit limit of EUR 5,000 thousand. At the end of the review period, EUR 2,000 thousand (5,000) of the standby credit limit was in use. The company also has a bank account credit limit of EUR 2,000 thousand. At the end of the review period,

EUR 1,439 thousand (0) of the bank account credit limit was in use. At the end of the review period, the company had a EUR 329 thousand (1,463) Business Finland loan for product development. During the review period, the company received a decision from Business Finland, whereby a total of EUR 1,011 thousand will not be collected from the capital of the loans granted for research and product development projects that ended in the previous financial period.

The Group's interest-bearing liabilities were EUR 29,033 thousand (33,342).

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

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 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 covenants concerning the distribution of funds and incurring financial indebtedness other than permitted under the terms of the bond are fulfilled based on the reporting period. The fulfillment of the covenants is always reviewed based on the last reported 12-month period. Violations of the above-mentioned financial covenants of the bond do not, as such, lead to the right to demand immediate repayment of the bond, but they limit the distribution of the company's funds and incurring financial indebtedness other than permitted under the terms of the bond.

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 2,429 thousand (8,472). During the review period, no investments were made in business acquisitions, but of the net investments in the comparison period, EUR 5,291 thousand were related to business acquisitions. The effect of the Microsoft BC and LS Retail business transaction in May 2023 on the goodwill at the time of sale was EUR -5,904 thousand. In the comparison period, on January 3, 2022, Solteq Plc acquired the entire share capital of Enerity Solutions Oy. A total of EUR 2,260 thousand (2,764) of the net investments were capitalized development costs relating to the continued further development of the existing software products and the development of new software products. Other investments were EUR 169 thousand (417). Other investments include the net change in rented premises and equipment, totaling EUR 169 thousand (364).

Capitalized development costs included EUR 1,405 thousand (1,775) in personnel costs.

## **Personnel**

The number of permanent employees at the end of the review period was 544 (678).

## Key figures for Group's personnel

	7-9/2023	7-9/2022	1-9/2023	1-9/2022	1-12/2022
Average number of personnel during period			591	678	676
Employee benefit expenses, TEUR	6,810	7,938	25,015	27,282	37,273

## Related party transactions

Solteq Group's related parties include the Board of Directors, the CEO, and the Group's Executive Team, as well as their related parties and entities according to the IAS24 standard.

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, 2023, 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 2.8 million shares (10.6) and EUR 3.6 million (33.2). The highest rate during the review period was EUR 1.80 and the lowest rate was EUR 0.91. The weighted average rate of the share was EUR 1.27, and the end rate was EUR 0.93. The market value of the company's shares at the end of the review period totaled EUR 18.0 million (23.5).

## Ownership

At the end of the review period, Solteq had a total of 7,371 shareholders (8,005). Solteq's 10 largest shareholders owned 10,426 thousand shares, i.e., they owned 53.75 percent of the company's shares and votes. Solteq Plc's members of the Board of Directors and CEO owned 26 thousand (26) shares on September 30, 2023.

## Annual General Meeting

Solteq's Annual General Meeting was held on March 29, 2023. The Annual General Meeting approved the financial statements for the period January 1–December 31, 2022, and discharged the CEO and the Board of Directors from liability.



In accordance with the proposal of the Board of Directors, it was resolved that no dividend is distributed for the financial year that ended on December 31, 2022.

The Annual General Meeting approved the shareholders' proposal to establish a Shareholders' Nomination Committee for the company and its Rules of Procedure were confirmed.

The Annual General Meeting adopted the remuneration report of the company's governing bodies. The decision to adopt the remuneration report is advisory.

The Annual General Meeting approved the proposal of the Board of Directors to amend Article 11 of the Articles of Association to enable holding general meetings of shareholders remotely entirely without a physical meeting venue.

The Annual General Meeting authorized the Board of Directors to decide on a 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 Limited Liability Companies Act as follows:

The maximum total number of shares or other rights issued under the authorization is 2,000,000. The authorization includes the right to issue new shares and special rights or convey treasury shares. The new shares and rights can be issued, and treasury shares conveyed in a directed share issue deviating 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. The authorization cannot be used to implement the company's incentive schemes. The authorization is proposed to include the right for the Board of Directors to decide on all other terms concerning the share issue and granting 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 the subscriber's receivable to offset the subscription price and record it in the company's balance sheet. The authorization is effective until the next Annual General Meeting, however, no longer than April 30, 2024. This authorization cancels the corresponding decision made by the Annual General Meeting 2022.

The Annual General Meeting authorized the Board of Directors to decide on a 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 Limited Liability Companies Act as follows:

The maximum total number of shares or other rights issued under the authorization is 1,000,000. The authorization includes the right to issue new shares and special rights or convey treasury shares. The new shares and rights can be issued, and treasury shares conveyed in a directed share issue deviating from the shareholders' pre-emptive right of subscription as part of the implementation of the company's incentive schemes, which means there is a weighty financial reason for the company. The purpose of such incentive schemes must be to bind the company's key personnel for a period of 3-5 years. In addition, the purpose is that the now granted authorization's maximum amount covers the company's key personnel's incentive schemes for at least 3 years. The authorization is proposed to include the right for the Board of Directors to decide on the other terms concerning the share issue and granting special rights, including the subscription price and payment of the subscription price in cash or by using the subscriber's receivable to offset the subscription price and record it in the company's balance sheet. The authorization is effective until April 30, 2026. This authorization cancels the corresponding decision made by the Annual General Meeting 2022.

The Annual General Meeting authorized the Board of Directors to decide on repurchasing the company's own shares as follows: The number of own shares to be repurchased based on the authorization cannot exceed 500,000. Shares may be repurchased in one or more lots. The Company may use only unrestricted equity to repurchase its own shares.

Own shares may be repurchased 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 at most 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 business acquisitions and other business improvement arrangements, or as a part of the implementation of the company's incentive schemes. The authorization is effective until the next Annual General Meeting, however, no longer than April 30, 2024. This authorization cancels the corresponding decision made by the Annual General Meeting 2022.

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) in connection with business acquisitions or when executing other business arrangements. The pledge may occur in one or several transactions. The number of own shares accepted as pledge cannot exceed 2,000,000. The Board of Directors decides on other terms concerning the pledge. The authorization is effective until the next Annual General Meeting, however, no longer than April 30, 2024. This authorization cancels the corresponding decision made by the Annual General Meeting 2022.

## **Board of Directors and auditors**

The Annual General Meeting on March 29, 2023, resolved to re-elect the current members of the Board of Directors Markku Pietilä, Panu Porkka, Anni Sarvaranta, Katarina Cantell, and Mika Sutinen, and elect Esko Mertsalmi as a new member of the Board.

In its organizing meeting after the Annual General Meeting, the Board of Directors re-elected Markku Pietilä as its chairman.

Mika Sutinen, Katarina Cantell, and Markku Pietilä were elected as members of the Audit Committee. Mika Sutinen acts as the Chairman of the Audit Committee.

The Annual General Meeting resolved that KPMG Oy Ab, would continue as the company's auditor. KPMG Oy Ab has informed that Petri Sammalisto, Authorized Public Accountant, is the auditor with principal responsibility.

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

On January 16, 2023, Solteq announced having updated its long-term financial targets. Solteq Plc's Board of Directors has approved the company's segment-specific long-term targets, which are based on the updated strategy and segment structure.

On January 27, 2023, Solteq announced that the Board of Directors has appointed Oona Silén as VP of People and Culture and member of the Executive Team of the company as of February 6, 2023.

On March 22, 2023, Solteq published comparable data according to the new reporting structure for the financial year 2022. Starting from the financial year 2023, the Group's reported business segments are Utilities and Retail & Commerce. The reported business segments in the previous reporting structure were Solteq Software and Solteq Digital.

On April 17, 2023, Solteq announced having sold its ERP business based on Microsoft BC and LS Retail solutions to Azets Group. The completion of the transaction took place on May 2, 2023. The table section of this Interim Report provides more detailed information regarding the transaction.

On April 17, 2023, Solteq announced withdrawing the profit guidance, published on February 16, 2023, due to the ongoing business transfer transaction.

On May 3, 2023, Solteq issued the new profit guidance for 2023. The company's new profit guidance for 2023 is: Solteq's revenue is expected to be EUR 60–62 million and operating result to be slightly negative excluding the one-time profit recognition of EUR 8 million on the sale of the Group's ERP business based on Microsoft BC and LS Retail solutions. The previous profit guidance for 2023 was: Solteq Group's revenue is expected to remain on the same level and operating profit to be positive.

On August 23, 2023, Solteq announced initiating change negotiations to improve operational efficiencies and profitability in the Utilities segment.

On September 6, 2023, Solteq announced that the members of Shareholders' Nomination Committee have been appointed. The Shareholders' Nomination Committee of Solteq Plc consists of representatives of the four largest shareholders, registered on August 31, 2023.

On September 19, 2023, Solteq issued a profit warning, lowering its 2023 profit guidance for revenue and operating result. The new profit guidance for 2023 is: Solteq's revenue is expected to be EUR 57–59 million and operating result to be negative, excluding the one-time profit recognition of EUR 8 million on the sale of the Group's ERP business based on Microsoft BC and LS Retail solutions.

On September 20, 2023, Solteq published the financial reporting schedule and planned Annual General Meeting date for 2024.

## **Events after the review period**

On October 11, 2023, Solteq announced having completed the change negotiations concerning the Utilities segment. As a result of efficiency and cost savings measures to be implemented, the company estimates to achieve annual cost savings of approximately EUR 3.8 million in total. The majority of cost savings are expected to be realized for 2024. As a result of the negotiations, the number of employees working for the Utilities software business will reduce by, at most, 39 due to resignations and lay-offs.

The company's management is not aware of other events of material importance after the review period that might have affected the preparation of the 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 the 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 2022. The new IFRS standards, taken into use on January 1, 2023, do not have a significant impact on the Group's Interim Report. The information presented in the Interim Report has not been audited.

## **Changes in segment reporting**

On November 25, 2022, Solteq Plc announced a segment change to better correspond to the Company's updated business strategy. With the updated strategy, software solutions and expert services can be offered in a more focused manner for the energy sector, retail industry, and needs related to e-commerce.

Starting from the financial year 2023, the group's reportable business segments are Utilities and Retail & Commerce. The Utilities segment offers software solutions and expert services for the energy sector, and the Retail & Commerce segment for retail and e-commerce.

In the previous reporting structure, the Group's reported business segments were the software business, Solteq Software, and the expert service business, Solteq Digital.

Comparable data for the financial year 2022 were released in a separate bulletin on March 22, 2023.

## **Revenue from contracts with customers**

The sales income from the Retail & Commerce segment's customer contracts are classified as services, recurring revenue from own software/SaaS and software and hardware sales. The services consist mainly of time- and material-based consulting, support and development services provided by the company, and projects. The sales income from these services is recognized over time depending on the progress of customer projects. Recurring revenue from software is reported for sales income related to the company's own products. In addition, the Retail & Commerce segment generates sales income from software and hardware sales consisting mainly of license and maintenance fees for third party software.

The Utilities segment covers the business based on the company's own energy sector products. The revenue of the segment is mainly based on license and maintenance fees from own products and related services, like integration and implementation projects. The sales income from the Utilities segment's customer contracts is classified as services, recurring revenue from own software/SaaS and non-recurring license and hardware sales. The services consist mainly of time- and material-based consulting, support and development services provided by the company, and projects. The services will benefit the customers as the service is provided.

Recurring revenue from own software / SaaS in both segments 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.

## Financial information

### Consolidated statement of comprehensive income

TEUR	7-9/2023	7-9/2022	1-9/2023	1-9/2022	1-12/2022
<b>Revenue</b>	<b>12,217</b>	<b>14,351</b>	<b>43,390</b>	<b>51,526</b>	<b>68,426</b>
Other income	55	11	8,470	112	166
Materials and services	-1,540	-1,507	-5,112	-5,590	-7,550
Employee benefit expenses	-8,109	-9,521	-29,745	-32,594	-44,560
Other expenses	-2,084	-2,536	-7,486	-8,161	-10,928
Depreciations and impairments	-1,235	-5,802	-3,968	-8,500	-9,960
<b>Operating result</b>	<b>-697</b>	<b>-5,005</b>	<b>5,549</b>	<b>-3,207</b>	<b>-4,406</b>
Financial income and expenses	-457	-450	-579	-1,325	-2,169
<b>Result before taxes</b>	<b>-1,154</b>	<b>-5,455</b>	<b>4,970</b>	<b>-4,532</b>	<b>-6,574</b>
Income taxes	179	1,010	-2,069	792	1,170
<b>Result for the financial period</b>	<b>-975</b>	<b>-4,445</b>	<b>2,902</b>	<b>-3,740</b>	<b>-5,404</b>
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Currency translation differences	-26	-31	-92	-100	-61
<b>Other comprehensive income, net of tax</b>	<b>-26</b>	<b>-31</b>	<b>-92</b>	<b>-100</b>	<b>-61</b>
<b>Total comprehensive income</b>	<b>-1,001</b>	<b>-4,476</b>	<b>2,810</b>	<b>-3,840</b>	<b>-5,465</b>
Total result for the period attributable to owners of the parent	-975	-4,445	2,902	-3,740	-5,404
Total comprehensive income attributable to owners of the parent	-1,001	-4,476	2,810	-3,840	-5,465
Earnings per share, EUR (undiluted)	-0.05	-0.23	0.15	-0.19	-0.28
Earnings per share, EUR (diluted)	-0.05	-0.23	0.15	-0.19	-0.28

## Consolidated statement of financial position

TEUR	30 Sep 2023	30 Sep 2022	31 Dec 2022
<b>Assets</b>			
<b>Non-current assets</b>			
Tangible assets	57	112	64
Right-of-use assets	2,209	3,904	3,309
Intangible assets			
Goodwill	40,552	46,423	46,493
Other intangible assets	8,912	8,866	9,125
Other investments	437	437	437
Deferred tax assets	132		1,380
Other long-term receivables	259	1,280	269
<b>Non-current assets total</b>	<b>52,559</b>	<b>61,022</b>	<b>61,078</b>
<b>Current assets</b>			
Inventories	63	128	133
Trade and other receivables	13,581	11,909	11,068
Cash and cash equivalents	2,693	2,782	2,057
<b>Current assets total</b>	<b>16,338</b>	<b>14,820</b>	<b>13,258</b>
<b>Total assets</b>	<b>68,896</b>	<b>75,842</b>	<b>74,336</b>
<b>Equity and liabilities</b>			
<b>Equity attributable to equity holders of the parent company</b>			
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	11,005	9,820	8,195
<b>Total equity</b>	<b>25,349</b>	<b>24,164</b>	<b>22,539</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	684	701	759
Financial liabilities	23,154	24,200	24,179
Lease liabilities	690	2,100	1,694
<b>Non-current liabilities total</b>	<b>24,529</b>	<b>27,001</b>	<b>26,632</b>
<b>Current liabilities</b>			
Financial liabilities	3,522	5,080	5,928
Trade and other payables	13,736	17,549	17,485
Provisions	93	85	78
Lease liabilities	1,667	1,963	1,673
<b>Current liabilities total</b>	<b>19,019</b>	<b>24,677</b>	<b>25,164</b>
<b>Total equity and liabilities</b>	<b>68,896</b>	<b>75,842</b>	<b>74,336</b>

## Consolidated cash flow statement

TEUR	1-9/2023	1-9/2022	1-12/2022
<b>Cash flow from operating activities</b>			
Result for the financial period	2,902	-3,740	-5,404
Adjustments for operating result	-2,270	8,705	10,275
Changes in working capital	-5,469	-1,042	852
Interests paid	-454	-302	-1,854
Interests received	17	14	18
<b>Net cash flow from operating activities</b>	<b>-5,274</b>	<b>3,635</b>	<b>3,887</b>
<b>Cash flow from investing activities</b>			
Business acquisitions	-20	-4,922	-5,109
Divested businesses	11,990		
Investments in tangible and intangible assets	-2,167	-2,710	-3,454
<b>Net cash used in investing activities</b>	<b>9,803</b>	<b>-7,632</b>	<b>-8,563</b>
<b>Cash flow from financing activities</b>			
Long-term loans, decrease			-8
Short-term loans, increase	4,371	5,772	6,813
Short-term loans, decrease	-6,860	-772	-1,194
Payment of finance lease liabilities	-1,403	-1,808	-2,465
<b>Net cash used in financing activities</b>	<b>-3,892</b>	<b>3,192</b>	<b>3,145</b>
<b>Changes in cash and cash equivalents</b>	<b>637</b>	<b>-806</b>	<b>-1,531</b>
Cash and cash equivalents at the beginning of period	2,057	3,588	3,588
<b>Cash and cash equivalents at the end of period</b>	<b>2,693</b>	<b>2,782</b>	<b>2,057</b>



## Consolidated statement of changes in equity

TEUR	Share capital	Share premium account	Invested unrestricted equity reserve	Currency translation difference	Retained earnings	Total
<b>Equity 1 Jan 2022</b>	<b>1,009</b>	<b>75</b>	<b>13,260</b>	<b>-144</b>	<b>13,805</b>	<b>28,004</b>
Result for the financial period					-3,740	-3,740
Other items on comprehensive income				-100		-100
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-100</b>	<b>-3,740</b>	<b>-3,840</b>
<b>Equity 30 Sep 2022</b>	<b>1,009</b>	<b>75</b>	<b>13,260</b>	<b>-244</b>	<b>10,064</b>	<b>24,164</b>
 <b>Equity 1 Jan 2023</b>	 <b>1,009</b>	 <b>75</b>	 <b>13,260</b>	 <b>-205</b>	 <b>8,400</b>	 <b>22,539</b>
Result for the financial period					2,902	2,902
Other items on comprehensive income				-92		-92
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-92</b>	<b>2,902</b>	<b>2,810</b>
<b>Equity 30 Sep 2023</b>	<b>1,009</b>	<b>75</b>	<b>13,260</b>	<b>-297</b>	<b>11,302</b>	<b>25,349</b>

## Revenue from contracts with customers

### Retail & Commerce

TEUR	7-9/2023	7-9/2022	1-9/2023	1-9/2022	1-12/2022
Services	7,172	8,884	27,059	33,157	44,095
Recurring revenue / SaaS	1,570	1,521	4,692	4,384	5,994
Software and hardware sales	485	952	1,745	3,031	3,737
<b>Total</b>	<b>9,226</b>	<b>11,358</b>	<b>33,496</b>	<b>40,571</b>	<b>53,826</b>

### Utilities

TEUR	7-9/2023	7-9/2022	1-9/2023	1-9/2022	1-12/2022
Services	1,835	1,776	6,145	7,093	9,325
Recurring revenue / SaaS	1,130	947	3,354	2,846	3,834
Non-recurring sales	26	270	395	1,016	1,442
<b>Total</b>	<b>2,991</b>	<b>2,993</b>	<b>9,894</b>	<b>10,955</b>	<b>14,601</b>
<b>Group total</b>	<b>12,217</b>	<b>14,351</b>	<b>43,390</b>	<b>51,526</b>	<b>68,426</b>

## Total investments

TEUR	7-9/2023	7-9/2022	1-9/2023	1-9/2022	1-12/2022
Group total	683	1,087	2,429	8,472	9,217

## Maturity of financial liabilities

	Book value	Contractual cash flows	1-12 months	13-24 months	25-36 months	Later
<b>TEUR</b>						
<b>Financial liabilities, 30 Sep 2023</b>						
Bond	22,906	25,766	1,383	24,383		
Loans from financial institutions	329	334	85	84	83	82
Lease liabilities	2,358	2,454	1,750	657	43	4
Trade payables	2,986	2,986	2,986			
<b>Financial liabilities total</b>	<b>28,579</b>	<b>31,540</b>	<b>6,204</b>	<b>25,124</b>	<b>126</b>	<b>86</b>
<b>Financial assets, 30 Sep 2023</b>						
Trade receivables	7,994					
Cash and cash equivalents	2,693					
<b>Financial assets total</b>	<b>10,688</b>					

The company has a standby credit limit of EUR 5,000 thousand. At the end of the review period, EUR 2,000 thousand (5,000) of the standby credit limit was in use. The company also has a bank account credit limit of EUR 2,000 thousand. At the end of the review period, EUR 1,439 thousand (0) of the bank account credit limit was in use.

## 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

<b>TEUR</b>	<b>30 Sep 2023</b>	<b>30 Sep 2022</b>	<b>31 Dec 2022</b>
Business mortgages	10,000	10,000	10,000
Off-balance sheet lease liabilities	1,244	1,594	1,530

## Related party transactions

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

## Major shareholders on September 30, 2023

	number	%
1. Profiz Business Solution Oy	2,135,569	11.01
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	625,000	3.22
7. Saadetdin Ali U	602,216	3.10
8. Säästöpankki Small Cap Mutual Fund	500,000	2.58
9. Incedo Oy	313,178	1.61
10. Mandatum Life Insurance Company Ltd.	283,439	1.46
<b>10 largest shareholders total</b>	<b>10,426,292</b>	<b>53.75</b>
Total of nominee-registered	235,098	1.21
Others	8,735,111	45.03
<b>Total</b>	<b>19,396,501</b>	<b>100.00</b>

## Financial performance indicators

	7-9/2023	7-9/2022	1-9/2023	1-9/2022	1-12/2022
Revenue, MEUR	12.2	14.4	43.4	51.5	68.4
Change in revenue, %	-14.9	-3.7	-15.8	1.5	-0.9
Operating result, MEUR	-0.7	-5.0	5.5	-3.2	-4.4
% of revenue	-5.7	-34.9	12.8	-6.2	-6.4
Result before taxes, MEUR	-1.2	-5.5	5.0	-4.5	-6.6
% of revenue	-9.4	-38.0	11.5	-8.8	-9.6
Net investments in non-current assets, MEUR	0.7	1.1	2.4	8.5	9.2
Equity ratio, %			36.8	31.9	30.3
Net debt, MEUR			26.3	30.6	31.4
Gearing, %			103.9	126.5	139.4
Return on equity, rolling 12 months, %			5.0	-12.2	-21.4
Return on investment, rolling 12 months, %			10.4	-2.1	-6.9
Personnel at end of period			544	678	662
Personnel average for period			591	678	676

## Key indicators per share

	7-9/2023	7-9/2022	1-9/2023	1-9/2022	1-12/2022
Earnings per share, EUR (undiluted)	-0.05	-0.23	0.15	-0.19	-0.28
Earnings per share, EUR (diluted)	-0.05	-0.23	0.15	-0.19	-0.28
Equity per share, EUR			1.31	1.25	1.16

## Alternative performance measures to be used in financial reporting by Solteq Group

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 Utilities 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 revenue

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

TEUR	7-9/2023	7-9/2022	1-9/2023	1-9/2022	1-12/2022
Revenue	12,217	14,351	43,390	51,526	68,426
Items affecting comparability					
BC / LS Retail business transfer agreement		-2,358	-3,451	-8,536	-11,196
Total items affecting comparability	0	-2,358	-3,451	-8,536	-11,196
Comparable revenue	12,217	11,992	39,938	42,990	57,230

## 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 Impairments.

TEUR	7-9/2023	7-9/2022	1-9/2023	1-9/2022	1-12/2022
<b>Operating result (EBIT)</b>	<b>-697</b>	<b>-5,005</b>	<b>5,549</b>	<b>-3,207</b>	<b>-4,406</b>
<b>Items affecting comparability</b>					
BC / LS Retail business transfer agreement	-52	-209	-8,652	-1,291	-1,501
Acquisition costs				124	124
Cost of integrating the acquired business				24	24
Non-recurring severance packages	58		211	36	164
Impairment		4,418		4,418	4,448
Fines and similar indemnities and damages		36		36	29
Costs incurred by the re-organization of operations	22	45	22	234	506
<b>Total items affecting comparability</b>	<b>27</b>	<b>4,289</b>	<b>-8,419</b>	<b>3,580</b>	<b>3,793</b>
<b>Comparable operating result (EBIT)</b>	<b>-670</b>	<b>-716</b>	<b>-2,870</b>	<b>373</b>	<b>-613</b>

## Calculation of the key figures

### Equity ratio, %:

$$\frac{\text{Equity}}{\text{Balance sheet total} - \text{Advances received}} \times 100$$

### Gearing, %:

$$\frac{\text{Interest bearing liabilities} - \text{Cash and cash equivalents}}{\text{Equity}} \times 100$$

### Return on Equity (ROE), %:

$$\frac{\text{Result for the financial period (rolling 12 months)}}{\text{Equity (average for the period)}} \times 100$$

### Return on investment (ROI), %:

$$\frac{\text{Result before taxes} + \text{Finance expenses (rolling 12 months)}}{\text{Balance sheet total} - \text{Interest free debt (average for the period)}} \times 100$$

### Earnings per share:

$$\frac{\text{Result before taxes} -/+ \text{Minority interest}}{\text{Adjusted average basic number of shares}}$$

### Diluted earnings per share:

$$\frac{\text{Result before taxes} -/+ \text{Minority interest}}{\text{Adjusted diluted average number of shares}}$$

### Equity per share:

$$\frac{\text{Equity}}{\text{Number of shares}}$$

### EBITDA:

Operating result + Depreciations and impairments

### Net debt:

Interest bearing liabilities - Cash and cash equivalents

### Share of recurring revenue of the total revenue of Utilities segment:

$$\frac{\text{Recurring revenue from own software / SaaS}}{\text{Total revenue of Utilities segment}}$$

## Business Combinations

There were no business combinations during the reporting period.

### Business Combinations in the Financial Year 2022

On January 3, 2022, Solteq Plc signed an agreement to purchase the entire share capital of the energy software company Enerity Solutions Oy. Through the acquisition, Solteq expanded 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 increased the company's expertise in the changing operating environment of the energy sector. Enerity Solutions specializes in software solutions for electricity trading and grid profitability and risk management.

TEUR	1-12/2022
<b>Consideration</b>	
Paid in cash	5,291
<b>Total</b>	<b>5,291</b>
<b>Values of the assets and liabilities arising from the acquisition</b>	
Tangible assets	5
Intangible assets **	577
Trade and other receivables	229
Cash and cash equivalents	869
<b>Total assets</b>	<b>1,680</b>
Trade payables and other liabilities	445
Financial liabilities	115
<b>Total liabilities</b>	<b>560</b>
<b>The goodwill value of the acquisition</b>	<b>4,171</b>
<b>Cash flow from the acquisition</b>	
Consideration paid in cash in 2022	5,291
Cash and cash equivalents of the acquired companies	869
<b>Total cash flow from the acquisition</b>	<b>4,422</b>
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 115 thousand.	
<b>Expenses related to the acquisition</b>	
Other expenses	124
<b>Total expenses related to the acquisition</b>	<b>124</b>
<b>Impact on the Solteq Group's number of personnel</b>	<b>17</b>
<b>Impact on the Solteq Group's comprehensive income statement</b>	<b>1-12/2022</b>
Revenue *	2,323
Operating profit *	802

\* The amount of the revenue and the operating profit from the acquisition date to the end of the reporting period. Enerity 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.



Solteq Plc acquired on November 7, 2022, the entire share capital of energy sector system and service provider S2B Energia Oy. As a result of the acquisition 10 employees transferred to be part of Solteq Group. The debt-free purchase price was EUR 1 and net assets EUR 32 thousand. The revenue and operating profit of the acquired businesses 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.

### **Sales of business based on Microsoft BC and LS Retail ERP solutions**

On April 17, 2023, Solteq signed a business transfer agreement, whereby the Group's ERP business based on Microsoft Dynamics 365 Business Central and LS Retail solutions was sold to Azets Group.

The net debt-free purchase price of the business is a maximum of EUR 20 million. The fixed purchase price is EUR 15 million deducted by the net working capital of the business. EUR 12 million was paid upon the completion of the Transaction. The remainder of the fixed purchase price will be paid at the latest six (6) months after the completion of the Transaction. A possible additional purchase price is a maximum of EUR 5 million, and it shall be determined based on the revenue of the transferring business for a period of twelve (12) months from the first date of the month the Transaction has been completed. The purchase price is paid in cash. The company recognized a one-time profit of EUR 8.3 million (before tax effects) on the fixed purchase price in the second quarter. The net assets sold in the business transaction were EUR 5.2 million, consisting of the allocated goodwill of the business (EUR 5.9 million) and provisions for personnel costs related to transferred persons (EUR 0.7 million). In addition, the expenses related to the business transaction were approximately EUR 0.7 million.

The Transaction consists of expert and maintenance services as well as clientele related to Solteq's Microsoft Dynamics 365 Business Central and LS Retail ERP solutions. Following the transfer of the business, approximately 60 experts located in Finland, Sweden, Norway, and Denmark were transferred to Azets Group.

**Financial reporting**

- Financial Statements Bulletin 1-12/2023 Thursday, February 15, 2024, at 8.00 am EET
- The Annual Report for 2023, including The Report of the Board of Directors and Financial Statements, will be published on Solteq's website by March 5, 2024

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

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