

17.7.2014 at 9.00 am.

## SOLTEQ PLC'S INTERIM REPORT 1.1.-30.6.2014 (IFRS)

Solteq Plc Stock Exchange Bulletin 17.7.2014 at 9.00 am.

- Revenue totalled 20,4 million euros (19,7 million euros).
- The operating result for the review period was 1.137 thousand euros (1.080 thousand euros).
- The company's operating margin was 5,6 % (5,5 %).
- Solteq Group's equity ratio was 45,4 per cent (39,1 %).
- Earnings per share was 0,06 euros (0,05 euros).

### KEY FIGURES

Turnover by operation:

%	1-6/14	1-6/13	1-12/13
Softwareservices	65	68	66
Licences	27	27	27
Hardware	8	5	7

### CEO Repe Harmanen:

"In early 2014, we maintained a positive result development and at the same time increased our turnover. The first half of the year has generally met our expectations, although demand was not distributed evenly among all our business segments. The progress in some of our business units have proceeded as planned, but there are areas in which we can improve our profitability at both short and long term perspectives. We have already taken improvement measures and we will continue implementing them in the second half of the year.

In spite of the growth, the turnover is slightly behind the expected level, but we believe that the development during rest of the year will continue the same as in the first few months of the year. We are pleased to see that all our key figures have improved compared with the same period last year.

In the second half of the year, we will assess the demand for our various solution areas at short and long term perspectives and take measures to strengthen and focus our strategy.

The new solution areas defined in our strategy have proved successful in terms of both the turnover and the result. The overall turnover from the services sector is, however below our expectations and we will pay special attention to this during the latter part of the year.

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We will continue cost monitoring and rationalization programs, and we will also search for new solutions to convert our fixed cost into variable costs for the years to come.

Compared with the situation last year, demand in the market has picked up, but there are still delays and postponements in project launches. The new client projects that we published during the second quarter support our view of positive signals in the market. We believe that there will be positive signs in demand in the second half of the year, as well.

The collaboration agreement with SOK that we published during the second quarter is strategically extremely important for us. Our LS Nav Hospitality based solution offering has proved an extremely modern and sought after solution and we believe that there will be wider demand for it, as well. In terms of the value, the agreement is one of the largest collaboration agreements in the history of our company.

Our strategy work has proceeded as planned, and the implementation of the strategy continues at all levels. In the latter part of the year, we will speed up our measures concerning cost flexibility and growth.

During the first half of the year, we have been able to develop our business activities in a moderate manner.

I wish all our stakeholders and interest groups a pleasant summer season."

## **BUSINESS ENVIRONMENT AND BUSINESS DEVELOPMENT**

Solteq is a leading retail and service industry software service company. We offer long-term partnership and the markets' widest range of retail and service industry software services, from the optimisation of the entire supply chain to the management of consumer-customer information. Our technology-independent solutions help our customers to guide their business operations as efficiently and profitably as possible.

Solteq Plc has three reported segments. Segmentation is based on the customer segments of the company. The aim of the segmentation is to respond to customer demand as a field total supplier and therefore to improve the availability of services and ease for our customers.

Solteq's turnover totalled 20.389 thousand euros in which contains increase of 3,4 per cent compared to corresponding period in 2013. Solteq's operating result increased 5,3 per cent to 1.137 thousand euros from 1.080 thousand euros that was the operating result in the corresponding period 2013.

The company's operating margin was 5,6 % (5,5 % in 2013).

## **Grocery and Special Retail, HoReCa**

Solteq's *Grocery and Special Retail* Segment provides its clients with total solutions that they can utilise to improve efficiency in terms of logistics, store operations, customer service, point of sale operations, as well as loyal customer management.

The grocery and special retail solutions help optimise the management of the product selection, space, deliveries, logistics and customer satisfaction while increasing sales and improving the result. The solutions speed up the basic operations, improve delivery reliability, reduce storage value, increase stock turnover and enhance predictability. The store always has the right products in the right place, at the right time, and at the right price.

During the review period the revenue of the Grocery and Special Retail segment totalled 10,5 million euros and the operating result was 0,4 million euros.

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## Wholesale, Logistics and Services

Solteq's Wholesale, Logistics and Services Segment provides its clients with ERP and financial management systems, as well as optimisation, integration and reporting solutions that support these systems.

Solteq's solutions help clients manage their operations and enhance purchases, sales, stock management and reporting. The systems can be utilised to improve delivery reliability, reduce storage value, increase stock turnover and enhance predictability. Materials flow management ensures that the right goods reach the right customers at the right time, packed in an optimal manner.

Solteq's wholesale, logistics and services systems improve the effectiveness of operations and enable more flexible and versatile customer service. At the same time, automated data management enhances the company's internal operations. Solteq's solutions are used daily by a large number of clients representing various industries and sectors, such as wholesale, retail and public administration.

During the review period the revenue of the Wholesale, Logistics and Services segment totalled 7,1 million euros and the operating result was 0,1 million euros.

## Enterprise Asset & Service Business Management

Solteq's Enterprise Asset & Service Business Management Segment provides its clients with ERP and master data management solutions.

The enterprise resource planning solutions developed for the optimisation of service processes help clients manage their operations in many ways, for instance enhance production plant reliability, task and resources management, field work, sales and customer service, partner network management and materials management. The solutions are utilised by a large number of clients representing various industries and sectors, such as energy production, maintenance services, life cycle services, engineering and technical services of cities and municipalities, property management services, and home and care services.

The Enterprise Asset & Service Business Management Segment also provides client companies with services and products related to business critical data (master data) in the form of master data improvement projects, data maintenance services outsourced to master data service centers, software technologies for master data management, and consultation services. The aim of these services is to ensure that the data in the systems that support the clients' enterprise resource planning and decision making processes are of high quality, compatible and up-to-date. Solteq's master data management solutions are used by clients across industries and sectors.

During the review period the revenue of the Enterprise Asset & Service Business Management segment totalled 2,8 million euros and the operating result was 0,6 million euros.

## REVENUE AND RESULT

Revenue totalled 20.389 thousand euros (19.716 thousand euros 2013).

Revenue consists of several individual customerships. At the most, one client corresponds to less than ten percentages of the revenue.

The operating result for the review period was 1.137 thousand euros (1.080 thousand euros), result before taxes was 1.042 thousand euros (973 thousand euros) and result for the review period 839 thousand euros (745 thousand euros).

During the second quarter the company has started directed cost saving actions in those segments where the profit development has been unsatisfactory.

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Previously in the latest Financial Statements reported financial risks in a single major project in Wholesale, Trade and Logistics segment, were limited reasonable way in business operations during the first quarter of the year. According to Solteq's view the project will no longer have negative impact on result during this financial year.

## BALANCE SHEET AND FINANCE

The total assets amounted to 25.075 thousand euros (26.239 thousand euros). Liquid assets totalled 1.055 thousand euros (1.823 thousand euros). In addition to liquid assets, the company has unused bank account limits amounting to a total of 1.500 thousand euros in the end of the financial year.

The Group's interest-bearing liabilities were 4.952 thousand euros (6.148 thousand euros).

Solteq Group's equity ratio was 45,4 per cent (39,1 per cent).

## INVESTMENTS, RESEARCH AND DEVELOPMENT

Gross investment during the review period was 482 thousand euros (612 thousand euros). The investments of the review period and the corresponding period in 2013 are mainly replacement investments.

### Research and development

Solteq's research and development costs consist mainly of personnel costs. When developing basic products, it is Solteq's strategy to cooperate with global actors such as SAP, Symphony EYC and Microsoft and utilize their resources and distribution channels. Own development efforts are focused on added value products and developing tailored service concepts.

During the review period product development costs were not amortized (none in the corresponding review period, either).

## PERSONNEL

The number of permanent employees at the end of the review period was 287 (293). The average number of personnel during the review period was 283 (290). In the end of the review period the number of personnel could be divided as follows: Grocery and special retail, HoReCa segment: 125 people; Wholesale, Logistics and Services: 93 people; Enterprise Asset & Service Business Management; 39 people and 30 people in shared functions.

## RELATED PARTY TRANSACTIONS

Solteq's related parties include the board of directors, managing director, the management team and the companies owned by the management.

## SHARES, SHAREHOLDERS AND TREASURY SHARES

Solteq Plc's equity on 30.6.2014 was 1.009.154,17 euros which was represented by 14.998.061 shares. The shares have no nominal value.

At the end of the review period, the amount of treasury shares in Solteq Plc and the group companies Solteq Management Oy's and Solteq Management Team Oy's possessions were 810.428 shares. The amount of treasury shares represented 5,4 % of the total amount of shares and votes at the end of the review period. The equivalent value of acquired shares was 54.530 euros.

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During the review period, 3.1.2014 one flagging announcement was made. The Mutual Insurance Company Pension Fennia and LocalTapiola Mutual Pension Insurance Company formed a new Pension Company starting from 1.1.2014. The merger led to a situation where the new company Elo Mutual Pension Insurance Company owned more than 10 % of the shares and votes in Solteq Plc on 3.1.2014.

## Exchange and rate

During the review period, the exchange of Solteq's shares in the Helsinki Stock Exchange was 0,4 million shares (0,5 million shares ) and 0,6 million euros (0,7 million euros). Highest rate during the review period was 1,59 euros and lowest rate 1,35 euros. Weighted average rate of the share was 1,45 euros and end rate 1,49 euros. The market value of the company's shares in the end of the review period totalled 22,3 million euros (22,3 million euros).

## Ownership

In the end of the review period, Solteq had a total of 1.745 shareholders (1.767 shareholders). Solteq's 10 largest shareholders owned 11.242 thousand shares i.e. they owned 75,0 per cent of the company's shares and votes. Solteq Plc's members of the board owned a total of 5.546 thousand shares which equals 37,0 per cent of the company's shares and votes.

## ANNUAL GENERAL MEETING

At Solteq Plc's Annual General Meeting on 17 March 2014 the 2013 financial statements were adopted and the members of the board and the managing director were discharged from liability for the 2013 review period.

In the meeting was accepted the proposal by the board that for the financial year 2013, there will be paid a dividend of 0.03 euros per each share on the market. In addition to this, the annual general meeting authorized the board to decide on a distribution of dividend, or other distribution of funds from the equity trust, for an amount of maximum 0.05 euros. The board is also allowed to decide on the timing and other details of this. The authorization is valid until the beginning of the next Annual General Meeting.

The Annual General Meeting authorized the board to acquire or pledge the company's own shares in such a way that the amount of own shares can be at any time maximum 10 per cent of the whole amount of company shares. With this authorization, shares can be acquired or pledged in order to develop the equity structure; or to be used as part of the personnel incentive system; or as a funding or for the realization of acquisitions of another company; or for other business arrangements; or they can be disclosed or invalidated. These shares can be acquired also in other ratios than the shareowners ownership ratio. The shares should be acquired from the public stock exchange. The board can decide on the other conditions for this procedure. This authorization is valid until next annual general meeting.

The Annual General Meeting authorized the board to decide on an issue of shares for a maximum amount of 3 000 000 new or existing shares, owned by the company, in one or several lots. The issue of shares should be implemented as a directed issue, on the contrary to shareowners subscription rights. With this authorization the board decides on all other conditions for the share issue. This authorization is valid until next Annual General Meeting.

## BOARD OF DIRECTORS AND AUDITORS

Seven members were elected to the Board of Directors. Ali Saadetdin, Seppo Aalto, Markku Petilä, Sirpa Sara-aho, Jukka Sonninen and Matti Roininen continued as members of the

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board. Olli Välimäki was elected as a new member of the board. The Board elected Ali Saadetdin to act as the Chairman of the Board.

KPMG Oy Ab, Authorized Public Accountants, was re-elected as Solteq's auditors. Lotta Nurminen, APA, acted as the chief auditor.

## EVENTS AFTER THE REVIEW PERIOD

No events requiring reporting have taken place after the review period.

## RISKS AND UNCERTAINTIES

The key uncertainties and risks in short term are related to the timing and pricing of business deals that are the basis for revenue, changes in the level of costs and the company's ability to manage extensive contract agreements and deliveries.

The key business risks and uncertainties of the company are monitored constantly as a part of the board of directors' and management team's duties. The company has not organized a separate internal audit organization or committee.

## PROSPECTS

Both revenue and operating result are expected to grow compared to financial year 2013.

## Financial reporting

This Interim Report has been prepared in accordance with IAS 34 Interim Financial Reporting –standard and using the same accounting policies as the financial statements 2013.

The financial result is reported through three business areas. Grocery and special retail, HoReCa segment, Wholesale, Logistics and Services and Enterprise Asset & Service Business Management. The most essential product and service types of the Solteq group of companies are software services, licenses and hardware sales.

All forecasts and estimates presented in the bulletin are based on the current views of management on the economic environment and outlook. Because of this, the results can differ as a result of, among other factors, changes in economy, markets and competitive conditions, changes in the regulatory environment and other government actions.

The interim report is unaudited.

### FINANCIAL INFORMATION

#### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (TEUR)

	1.4.- 30.6.2014	1.4.- 30.6.2013	1.1.- 30.6.2014	1.1.- 30.6.2013	1.1.- 31.12.2013
REVENUE	10 524	9 729	20 389	19 716	38 124
Other income	0	4	0	8	50

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Materials and services	-3 028	-2 103	-5 465	-4 288	-9 151
Employee benefit expenses	-5 065	-5 297	-9 926	-10 339	-19 386
Depreciation and impairments	-322	-310	-639	-609	-1 228
Other expenses	-1 558	-1 487	-3 222	-3 408	-6 268
OPERATING RESULT	551	536	1 137	1 080	2 141
Financial income and expenses	-16	-44	-95	-107	-214
RESULT BEFORE TAXES	535	492	1 042	973	1 927
Income tax expenses	-107	-107	-203	-228	-306
RESULT FOR THE PERIOD	428	385	839	745	1 621
OTHER COMPREHENSIVE INCOME TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS					
Cash flow hedges	-6	0	0	20	27
Taxes related to cash flow hedge	1	0	0	-5	-6
Other comprehensive income, net of tax	-5	0	0	15	21
TOTAL COMPREHENSIVE INCOME	423	385	839	760	1 642
Total profit for the period attributable to owners of the parent	428	385	839	745	1 621
Total comprehensive income attributable to owners of the parent	423	385	839	760	1 642
Earnings/share, e(undiluted)	0,03	0,02	0,06	0,05	0,11
Earnings/share, e(diluted)	0,03	0,02	0,06	0,05	0,11

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

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CONSOLIDATED BALANCE SHEET (TEUR)	30.6.2014	30.6.2013	31.12.2013
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Tangible assets	1 512	1 313	1 399
Intangible assets			
Goodwill	12 730	12 730	12 730
Other intangible rights	2 580	3 221	2 853
Available-for-sale financial assets	551	546	546
Trade and other receivables	32	63	32
Total non-current assets	17 405	17 873	17 560
<b>CURRENT ASSETS</b>			
Inventories	63	91	156
Trade and other receivables	6 552	6 452	5 303
Cash and cash equivalents	1 055	1 823	2367
Total current assets	7 670	8 366	7 826
<b>TOTAL ASSETS</b>	<b>25 075</b>	<b>26 239</b>	<b>25 386</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</b>			
Share capital	1 009	1 009	1 009
Share premium reserve	75	74	75
Hedging reserve	-28	-34	-28
Reserve for own shares	-987	-933	-933
Distributable equity reserve	6 392	6 392	6 392
Retained earnings	4 721	3 749	4 331
Total equity	11 182	10 257	10 846



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Non-current liabilities			
Deferred tax liabilities	570	1 064	593
Financial liabilities	3 022	4 448	3 695
Current liabilities	10 300	10 470	10 252
Total liabilities	13 892	15 982	14 540
TOTAL EQUITY AND LIABILITIES	25 075	26 239	25 386

**CASH FLOW STATEMENT (MEUR)**

	1-6/2014	1-6/2013	1-12/2013
Cash flow from business operations	0,28	2,07	3,83
Cash flow from capital expenditure	-0,49	-0,62	-0,96
Cash flow from financing activities			
Own shares	-0,05	0,00	0,00
Dividend distribution	-0,45	-0,60	-0,90
Loan agreements	-0,60	-0,27	-0,85
Cash flow from financing activities	-1,10	-0,87	-1,75
Change in cash and cash equivalents	-1,31	0,58	1,12

**STATEMENT OF CHANGES IN GROUP EQUITY (TEUR)**

A=Share capital  
 B=Reserve for own shares  
 C=Share premium account  
 D=Hedging reserve  
 E=Distributable equity reserve  
 F=Retained earnings  
 G=Total

	A	B	C	D	E	F	G
EQUITY 1.1.2013	1 009	-933	75	-49	6 368	3 607	10 077
Total comprehensive income				15		745	760
Directed issue					24		24
Dividend distribution						-603	-603

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EQUITY 30.6.2013	1 009	-933	74	-34	6 392	3 749	10 257
EQUITY 1.1.2014	1 009	-933	75	-28	6 392	4 331	10 846
Total comprehensive income				0		839	839
Acquiring of own shares		-53					-53
Dividend distribution						-449	-449
EQUITY 30.6.2014	1 009	-987	75	-28	6 392	4 721	11 182

## SEGMENT INFORMATION

Turnover by segment:

Me	1-6/14	1-6/13	Change
Grocery and special retail, HoReCa	10,5	9,3	+1,2
Wholesale, Logistics and Services	7,1	7,7	-0,6
Enterprise Asset & Service Business Management	2,8	2,7	+0,1
Total	20,4	19,7	+0,7

Operating result by segment:

Me	1-6/14	1-6/13	Change
Grocery and special retail, HoReCa	0,4	0,7	-0,3
Wholesale, Logistics and Services	0,1	0,0	+0,1
Enterprise Asset & Service Business Management	0,6	0,4	+0,2
Total	1,1	1,1	0

## QUARTERLY KEY INDICATORS (MEUR)

	3Q/12	4Q/12	1Q/13	2Q/13
Net turnover	8,52	11,21	9,99	9,73
Operating result	0,51	0,88	0,54	0,54
Result before taxes	0,44	0,84	0,48	0,49
	3Q/13	4Q/13	1Q/14	2Q/14
Net turnover	8,59	9,82	9,87	10,52
Operating result	0,63	0,43	0,59	0,55
Result before taxes	0,60	0,36	0,51	0,54

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TOTAL INVESTMENTS (TEUR)	1-6/2014	1-6/2013	1-12/2013
Continuing operations, group total	482	612	957

LIABILITIES (MEUR)	30.6.2014	30.6.2013	31.12.2013
Business mortgages	10,00	10,00	10,00
Other lease liabilities	3,08	3,77	3,53

RELATED PARTY TRANSACTIONS (TEUR)	30.6.2014	30.6.2013	31.12.2013
Renting arrangements	42	42	83
Outsourcing expenses	0	2	2

Transactions with the insiders have been done at market price and are part of the company's normal software service business.

#### FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL 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 bulletin.

#### MAJOR SHAREHOLDERS 30.6.2014

	Shares and votes	
	Number	%
1. Saadetdin Ali	3 481 383	23,2
2. Keskinäinen Työeläkevakuutusyhtiö Elo	2 000 000	13,3
3. Profiz Business Solution Oyj	1 756 180	11,7
4. Aalto Seppo	1 662 206	11,1
5. Keskinäinen Työeläkevakuutusyhtiö Varma	644 917	4,3
6. Pirhonen Jalo	408 480	2,7
7. Solteq Management Oy	400 000	2,7
8. Roininen Matti	382 500	2,6
9. Solteq Management Team Oy	350 000	2,3
10. Saadetdin Katiye	156 600	1,0
10 largest shareholders total	11 242 266	75,0 %
Total of nominee-registered	127 048	0,8 %
Others	3 628 747	24,2 %
Total	14 998 061	100,0 %

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FINANCIAL PERFORMANCE  
INDICATORS (IFRS)

	1-6/2014	1-6/2013	1-12/2013
Net turnover MEUR	20,4	19,7	38,1
Change in net turnover	3,4 %	2,2 %	-2,3 %
Operating result MEUR	1,1	1,1	2,1
% of turnover	5,6 %	5,5 %	5,6 %
Result			
before taxes MEUR	1,0	1,0	1,9
% of turnover	5,1 %	4,9 %	5,1 %
Equity ratio, %	45,4	39,1	43,5
Gearing, %	34,9 %	42,2 %	29,4 %
Gross investments in non current assets MEUR	0,5	0,6	1,0
Return on equity, %	15,8 %	15,1 %	15,5 %
Return on investment, %	14,5 %	13,4 %	13,2 %
Personnel at the end of period	287	293	277
Personnel average for period	283	290	287

KEY INDICATORS PER SHARE

Earnings/share, e	0,06	0,05	0,11
Earnings/share, e(diluted)	0,06	0,05	0,11
Equity/share, e	0,75	0,68	0,72

CALCULATION OF FINANCIAL RATIOS

Solvency ratio, in percentage:

$$\frac{\text{equity}}{\text{balance sheet total - advances received}} \times 100$$

Gearing:

$$\frac{\text{interest bearing liabilities - cash, bank balances and securities}}{\text{equity}} \times 100$$

Return on equity (ROE) in percentage:

$$\frac{\text{profit or loss before taxation - taxes}}{\text{equity}} \times 100$$

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Profit from invested equity in percentage:

profit or loss before taxation +	
interest expenses and other financing expenses	
-----	
balance sheet total- non-interest bearing liabilities	x 100
pre-tax result – taxes +/- minority interest	
-----	
diluted average share issue	
corrected number of shares	

Diluted earnings per share:

diluted profit before taxation - taxes -/+ minority interest
-----
diluted average share issue
corrected number of shares

Equity per share :

equity
-----
number of shares

## Financial reporting

Solteq Plc's financial information bulletins in 2014 have been scheduled as follows:

- Interim Report 1-9/2014 on Friday October 17, 2014 at 9 am

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

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