

17.10.2014 at 9.00 am

SOLTEQ PLC'S INTERIM REPORT 1.1.–30.9.2014 (IFRS)

Solteq Plc Stock Exchange Bulletin 17.10.2014 at 9.00 am.

- Revenue totalled 28,7 million euros (28,3 million euros).
- The operating result for the review period was 1.581 thousand euros (1.712 thousand euros).
- The company's operating margin was 5,5 % (6,0 %).
- Solteq Group's equity ratio was 47,4 per cent (41,7 %).
- Earnings per share was 0,08 euros (0,08 euros).

KEY FIGURES

Turnover by operation:

%	1-9/14	1-9/13	1-12/13
Softwareservices	64	67	66
Licences	28	27	27
Hardware	8	6	7

CEO Repe Harmanen:

"This year has generally progressed as planned, but demand did not increase evenly in all the business sectors in the third quarter. Despite the overall growth, we did not quite reach the expected net sales level. However, the change in the third quarter was not significant. Our financial performance was the same as in 2013, but we find it necessary to make structural stages at this stage.

In our previous Interim Report in July we already stated that we had taken measures to ensure and improve profitability in the units in which the financial performance had not met our expectations. In early October, towards the end of the review period, we also started cooperation negotiations in the company, with the aim of restructuring our business operations and thereby improving our financial performance in the medium and long term. We will continue our cost efficiency improvement programs, and we will also make new decisions to convert our fixed cost into variable costs for the years to come. These measures will also enable us to grow in our new strategic technology areas.

We will continue evaluating how the demand for our solutions will develop in the next few years, and we will speed up the implementation of our strategy. As to older technologies, we expect to see decreased demand and postponed investment decisions. On the other hand, we have managed to strengthen our position in our new strategic areas and anticipate growth in demand in them.

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Even if we have seen projects being postponed, market demand has not changed radically since the early part of the year. We also expect that, due to the efficiency improvement needs of our client organizations, demand will pick up as expected especially in the area of new technologies during the last few months of the year.

In our opinion, our business will develop at the same pace in the last quarter of the year as in the first six months. The implementation of structural changes may cause non-recurring expenses, but we do not expect them to affect our profit forecast for this year.

In the last few months of the year, we will speed up our measures to improve cost flexibility and growth. We will maintain our net sales and profit forecast for the whole year at the previous level.

I wish our stakeholders and interest groups all the best for the rest of the year.”

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 28.715 thousand euros in which contains increase of 1,5 per cent compared to corresponding period in 2013. Solteq’s operating result decreased to 1.581 thousand euros from 1.712 thousand euros that was the operating result in the corresponding period 2013. The company’s operating margin was 5,5 % (6,0 % 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 15,0 million euros and the operating result was 0,7 million euros.

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.

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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 9,8 million euros and the operating result was 0,2 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 3,9 million euros and the operating result was 0,7 million euros.

REVENUE AND RESULT

Revenue totalled 28.715 thousand euros (28.303 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 1.581 thousand euros (1.712 thousand euros), result before taxes was 1.453 thousand euros (1.572 thousand euros) and result for the review period 1.155 thousand euros (1.192 thousand euros).

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

Previously in the latest Financial Statements reported financial risks in a single major project in Wholesale, Trade and Logistics segment, were limited 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 24.555 thousand euros (25.686 thousand euros). Liquid assets totalled 1.527 thousand euros (2.390 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 reporting period.

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The Group's interest-bearing liabilities were 4.588 thousand euros (5.688 thousand euros).

Solteq Group's equity ratio was 47,4 per cent (41,7 %).

INVESTMENTS, RESEARCH AND DEVELOPMENT

Gross investment during the review period was 704 thousand euros (713 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 278 (287). The average number of personnel during the review period was 280 (290). In the end of the review period the number of personnel could be divided as follows: Grocery and special retail, HoReCa segment 108 people, Wholesale, Logistics and Services: 80 people, Enterprise Asset & Service Business Management: 40 people and 50 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 30.9.2014 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 827.489 shares. The amount of treasury shares represented 5,5 of the total amount of shares and votes at the end of the review period. The equivalent value of acquired shares was 55.678 euros.

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 0,5 million shares (0,6 million shares) and 0,8 million euros (1,0 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 1,46 euros and end rate 1,51 euros. The market value of the

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company's shares in the end of the review period totalled 22,6 million euros (23,2 million euros).

Ownership

In the end of the review period, Solteq had a total of 1.720 shareholders (1.759 shareholders). Solteq's 10 largest shareholders owned 11.270 thousand shares i.e. they owned 75,1 per cent of the company's shares and votes. Solteq Plc's members of the board owned a total of 5.574 thousand shares which equals 37,2 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 Pietilä, Sirpa Sara-aho, Jukka Sonninen and Matti Roininen continued as members of the 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

According to the stock exchange bulletin announced on 2.10.2014 Solteq Plc aims to adjust its production and cost structure on the segments in which the need of man-work has decreased due to technological improvement and changes in market demand.

In consequence company started co-operation negotiations concerning the termination of 20 employments at the most and temporary layoffs maximum of 20 persons on production and

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economic basis. The co-operation negotiations involve about one third of company's personnel.

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)

	1.7.- 30.9.2014	1.7.- 30.9.2013	1.1.- 30.9.2014	1.1.- 30.9.2013	1.1.- 31.12.2013
REVENUE	8 326	8 587	28 715	28 303	38 124
Other income	0	4	0	12	50
Materials and services	-2 375	-2 335	-7 840	-6 623	-9 151
Employee benefit expenses	-3 945	-3 944	-13 871	-14 283	-19 386

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Depreciation and impairments	-337	-309	-976	-918	-1 228
Other expenses	-1 225	-1 370	-4 447	-4 778	-6 268
OPERATING RESULT	444	632	1 581	1 712	2 141
Financial income and expenses	-33	-33	-128	-140	-214
RESULT BEFORE TAXES	411	599	1 453	1 572	1 927
Income tax expenses	-95	-152	-298	-380	-306
RESULT FOR THE PERIOD	316	447	1 155	1 192	1 621
OTHER COMPREHENSIVE INCOME TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS					
Cash flow hedges	6	13	6	33	27
Taxes related to cash flow hedge	-1	-2	-1	-7	-6
Other comprehensive income, net of tax	5	11	5	26	21
TOTAL COMPREHENSIVE INCOME	321	458	1 160	1 218	1 642
Total profit for the period attributable to owners of the parent	316	447	1 155	1 192	1 621
Total comprehensive income attributable to owners of the parent	321	458	1 160	1 218	1 642
Earnings/share, e (undiluted)	0,02	0,03	0,08	0,08	0,11
Earnings/share, e (diluted)	0,02	0,03	0,08	0,08	0,11

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

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CONSOLIDATED BALANCE SHEET (TEUR)

ASSETS

NON-CURRENT ASSETS

Tangible assets	1 566	1 290	1 399
Intangible assets			
Goodwill	12 730	12 730	12 730
Other intangible rights	2 409	3 036	2 853
Available-for-sale financial assets	551	546	546
Trade and other receivables	17	63	32
Total non-current assets	17 273	17 665	17 560

CURRENT ASSETS

Inventories	133	131	156
Trade and other receivables	5 622	5 500	5 303
Cash and cash equivalents	1 527	2 390	2 367
Total current assets	7 282	8 021	7 826
TOTAL ASSETS	24 555	25 686	25 386

EQUITY AND LIABILITIES

EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

Share capital	1 009	1 009	1 009
Share premium reserve	74	74	75
Hedging reserve	-23	-23	-28
Reserve for own shares	-1 012	-933	-933
Distributable equity reserve	6 392	6 392	6 392
Retained earnings	5 037	4 196	4 331
Total equity	11 477	10 715	10 846

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Non-current liabilities			
Deferred tax liabilities	551	1 217	593
Financial liabilities	2 707	3 974	3 695
Current liabilities	9 820	9 780	10 252
Total liabilities	13 078	14 971	14 540
TOTAL EQUITY AND LIABILITIES	24 555	25 686	25 386

CASH FLOW STATEMENT (MEUR)

	1-9/2014	1-9/2013	1-12/2013
Cash flow from business operations	1,36	3,19	3,83
Cash flow from capital expenditure	-0,70	-0,72	-0,96
Cash flow from financing activities			
Own shares	-0,08	0,00	0,00
Dividend distribution	-0,45	-0,60	-0,90
Loan agreements	-0,97	-0,72	-0,85
Cash flow from financing activities	-1,50	-1,32	-1,75
Change in cash and cash equivalents	-0,84	1,15	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

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	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				26		1 192	1 218
Directed issue					24		24
Dividend distribution						-603	-603
EQUITY 30.9.2013	1 009	-933	75	-23	6 392	4 196	10 715
EQUITY 1.1.2014	1 009	-933	75	-28	6 392	4 331	10 846
Total comprehensive income				5		1 155	1 160
Acquiring of own shares		-79					-79
Dividend distribution						-449	-449
EQUITY 30.9.2014	1 009	-1 012	75	-23	6 392	5 037	11 477

SEGMENT INFORMATION

Turnover by segment:

Me	1-9/14	1-9/13	Change
Grocery and special retail, HoReCa	15,0	13,2	+1,8
Wholesale, Logistics and Services	9,8	11,2	-1,4
Enterprise Asset & Service Business Management	3,9	3,9	0
Total	28,7	28,3	+0,4

Operating result by segment:

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

QUARTERLY KEY INDICATORS (MEUR)

	4Q/12	1Q/13	2Q/13	3Q/13
Net turnover	11,21	9,99	9,73	8,59
Operating result	0,88	0,54	0,54	0,63
Result before taxes	0,84	0,48	0,49	0,60

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	4Q/13	1Q/14	2Q/14	3Q/14
Net turnover	9,82	9,87	10,52	8,33
Operating result	0,43	0,59	0,55	0,44
Result before taxes	0,36	0,51	0,54	0,41

TOTAL INVESTMENTS (TEUR)

	1-9/2014	1-9/2013	1-12/2013
Continuing operations, group total	704	713	957

LIABILITIES (MEUR)

	30.9.2014	30.9.2013	31.12.2013
Business mortgages	10,00	10,00	10,00
Other lease liabilities	2,89	3,56	3,53

RELATED PARTY TRANSACTIONS
(TEUR)

	30.9.2014	30.9.2013	31.12.2013
Renting arrangements	62	62	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 30.9.2014

	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. Roininen Matti	410 000	2,7
7. Pirhonen Jalo	408 480	2,7
8. Solteq Management Oy	400 000	2,7
9. Solteq Management Team Oy	350 000	2,3
10. Saadetdin Katiye	156 600	1,0
10 largest shareholders total	11 269 766	75,1
Total of nominee-registered	128 298	0,9
Others	3 599 997	24,0
Total	14 998 061	100,0

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FINANCIAL PERFORMANCE INDICATORS (IFRS)

	1-9/2014	1-9/2013	1-12/2013
Net turnover MEUR	28,7	28,3	38,1
Change in net turnover	1,5 %	1,8 %	-2,3 %
Operating result MEUR	1,6	1,7	2,1
% of turnover	5,5 %	6,0 %	5,6 %
Result			
before taxes MEUR	1,5	1,6	1,9
% of turnover	5,1 %	5,6 %	5,1 %
Equity ratio, %	47,4	41,7	43,5
Gearing, %	26,7 %	30,8 %	29,4 %
Gross investments in			
non current assets MEUR	0,7	0,7	1,0
Return on equity, %	13,9 %	15,8 %	15,5 %
Return on investment, %	13,4 %	14,5 %	13,2 %
Personnel at the end of			
period	278	287	277
Personnel average			
for period	280	290	287

KEY INDICATORS PER SHARE

Earnings/share, e	0,08	0,08	0,11
Earnings/share,			
e(diluted)	0,08	0,08	0,11
Equity/share, e	0,77	0,72	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:

profit or loss before
taxation – taxes

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	-----	x 100
equity		
Profit from invested equity in percentage:		
profit or loss before taxation + interest expenses and other financing expenses	-----	x 100
balance sheet total- non-interest bearing liabilities		
Earnings per share:		
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 estimates to publish the financial statements bulletin from the financial year 2014 February 13, 2015 at 9.00 am.

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

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