

24.4.2015 at 9.00 am

SOLTEQ PLC'S FINANCIAL INTERIM REPORT 1.1.-31.3.2015 (IFRS)

New openings in the stagnant market situation

- Revenue totalled 9,1 million euros (9,9 million euros), which decreased 7,4 per cent.
- The operating result for the review period was 464 thousand euros (586 thousand euros), which decreased 20,8 per cent.
- The company's operating margin was 5,1 per cent (5,9 per cent).
- Solteq Group's equity ratio was 49,1 per cent (42,3 per cent).
- Earnings per share was 0,02 euros (0,03 euros).

Key figures

	1-3/15	1-3/14	Change- %	1-12/14
Revenue, TEUR	9 134	9 865	-7,4 %	40 933
Operating profit, TEUR	464	586	-20,8 %	2 490
Profit for the financial period, TEUR	343	411	-16,5 %	1 893
Earnings/share, e	0,02	0,03		0,13
Operating profit - %	5,1 %	5,9 %		6,1 %
Equity ratio, %	49,1 %	42,3 %		48,0 %

Profit guidance

The profit guidance is kept as before. (Group's operating result is expected to grow compared to financial year 2014.)

CEO Repe Harmanen:

"During the review period, our net sales and operating result decreased slightly from the comparison period. This was mainly due to the fairly high level of the previous review period and the fact that some of our projects were completed ahead of time by the end of 2014.

In the first quarter, the sales of new solutions mainly proceeded as expected, and we announced significant new openings. The net sales and result of the review period were affected by the fact that some projects started later than planned and some projects took longer to finalise. As demand for the new solutions is good and the project portfolio at the previous level, the future prospects in these areas are good.

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As the decline in the demand for our traditional solutions continued at the level of the last few months of 2014, we started internal measures to improve the situation. The delays in new investment decisions are mainly due to uncertainty in the investment market caused by the general economic situation. Therefore, we are looking for new ways to help our clients transfer from one technology to another in accordance with our strategy.

At the moment, the investment readiness and ability of our clients and in the market are not divided evenly in all our solution areas. We, however, see the situation as an opportunity to seek growth in multichannel and e-business solutions.

We will continue our work to control costs and increase flexibility, as we want to improve our ability to respond to fluctuations in demand in the various areas in terms of both growth and adjustment of operations.

The outlook for the new sales projects is comparatively good and gives reason to optimism. The general uncertainty in the Finnish economy and the development of the demand for traditional technologies are essential factors for us and we monitor them closely.

As the success of our strategic programmes is extremely important for us, we continued developing all of them as planned during the first quarter. We increased measures to ensure that we reach our most important objectives during 2015."

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's reported segments are Grocery and special retail, HoReCa; Wholesale, Logistics and Services and Enterprise Asset & Service Business Management.

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.

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 totaled 4,7 million euros (5,1 million euros) and the operating result was 0,2 million euros (0,3 million euros).

The decrease in the net sales was mainly due to postponements in decision-making schedules in the early part of the review period. Towards the end and after the end of the review period, a large number of the projects were already underway. The impact of the postponements on the operating result was minor, as the cost structure of the segment had been simplified since the comparison period.

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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 3,3 million euros (3,4 million euros) and the operating result was 0,3 million euros (0,1 million euros).

The net sales of the review period remained on the previous year's level. The improvement in the operating result was mainly due to the development of the cost structure and improved resource utilisation.

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 1,1 million euros (1,3 million euros) and the operating result was 0,0 million euros (0,2 million euros).

Unlike other segments, the main business of the segment is based on the development, supply and marketing of the segment's own software products. Owing to the nature of its business, the segment is, however, more dependable on the new investments of the client industries than the other segments.

The development of the segment's net sales was weaker than in the previous year, and the operating result decreased.

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The growth and profitability of the operations will be improved by developing products that meet the needs of the client segments better and by looking for new markets and channels. The incorporation of the business of the segment at the turn of the year will allow the development of a product area specific, specialised strategy during 2015.

REVENUE AND RESULT

Turnover by operation:

%	1-3/15	1-3/14	1-12/14
Software services	67	65	62
Licences	27	26	26
Hardware	6	9	12

Revenue decreased by 7,4 % compared to the previous year and totalled 9.134 thousand euros (previous review period 9.865 thousand euros).

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 decreased 20,8 % and was 464 thousand euros (586 thousand euros), result before taxes was 435 thousand euros (507 thousand euros) and result for the financial year 343 thousand euros (411 thousand euros).

BALANCE SHEET AND FINANCING

The total assets amounted to 24.231 thousand euros (26.246 thousand euros). Liquid assets totalled 1.838 thousand euros (1.963 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 review period.

The Group's interest-bearing liabilities were 3.882 thousand euros (5.101 thousand euros).

Solteq Group's equity ratio was 49,1 per cent (42,3 per cent).

INVESTMENTS, RESEARCH AND DEVELOPMENT

Gross investment during the review period was 10 thousand euros (150 thousand euros). The investments of the review period are mainly replacement investments. The investments in the reference period are also 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 reference period, either).

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PERSONNEL

The number of permanent employees at the end of the review period was 269 (279). In the end of the review period the number of personnel could be divided as follows: Grocery and special retail, HoReCa segment: 101 people; Wholesale, Logistics and Services: 79 people; Enterprise Asset & Service Business Management; 39 people and 50 people in shared functions.

The key figures for Group's personnel:

	1-3/2015	1-3/2014	1-3/2013
Average number of the personnel during the review period	278	284	289
Employee benefit expenses (1,000 €)	3 796	3 948	4 125

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 31.3.2015 was 1.009.154,17 euros which was represented by 14.998.061 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.

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 860.881 shares. The amount of treasury shares represented 5,7 % of the total amount of shares and votes at the end of the review period. The equivalent value of acquired shares was 57.925 euros. On 19 March 2015, Solteq announced that the company's share-based incentive scheme would be dissolved.

During the review period, one flagging announcement was made on March 19, 2015. Solteq Plc announced that the company would dissolve the share-based incentive scheme by purchasing the capital stocks of the Management Team's holding companies. The arrangement was implemented on 13 April 2015 and it led to a change in ownership, in which Solteq Plc and its subsidiaries hold more than 5% of Solteq Plc shares and votes.

Exchange and rate

During the review period, the exchange of Solteq's shares in the Helsinki Stock Exchange was 0,4 million shares (0,3 million shares) and 0,7 million euros (0,4 million euros). Highest rate during the financial year was 1,94 euros and lowest rate 1,32 euros. Weighted average rate of the share was 1,59 euros and end rate 1,78 euros. The market value of the company's shares in the end of the financial year totalled 26,7 million euros (21,1 million euros).

Ownership

In the end of the financial year, Solteq had a total of 1.683 shareholders (1.780 shareholders). Solteq's 10 largest shareholders owned 11.282 thousand shares i.e. they owned 75,2 per cent of the company's shares and votes. Solteq Plc's members of the board owned a total of 5.609 thousand shares which equals 37,4 per cent of the company's shares and votes.

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ANNUAL GENERAL MEETING

At Solteq Plc's Annual General Meeting on 16 March 2015 the 2014 financial statements were adopted and the members of the board and the managing director were discharged from liability for the 2014 financial period.

In the meeting was accepted the proposal by the board that for the financial year 2014, 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, in accordance with the Finnish Companies Act 13 chapter 6§ 2 paragraph, 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 of Directors to decide on the purchase of the Company's own shares to improve the capital structure, to be used as a part of remuneration of personnel, to finance and execute business acquisitions and other business arrangements or to be further transferred or cancelled. The proposal includes authorization to take company's own shares as a pledge. According to the proposal, the total number of the shares purchased shall not exceed 10 percent of all shares of the Company and they can be purchased otherwise than in proportion to the shareholdings of the shareholders. The shares shall be purchased at a price formed in public trading. The authorization includes that the Board of Directors may decide the terms and other matters concerning the purchase of own shares. The authorization is effective until the next Annual General Meeting.

The Annual General Meeting authorized the Board of Directors to give new shares or convey company's own shares. The authorization would be executed by one or more share issues, maximum total amount being 5.000.000 shares. The authorization includes a right to deviate from the shareholders' pre-emptive right of subscription. The authorization includes that the Board of Directors may decide the terms and other matters concerning the share issue. The authorization is effective until the 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, Matti Roininen and Olli Välimäki. 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

After the end of the review period, Solteq Plc dissolved the share-based incentive scheme by purchasing the capital stocks of the holding companies. The arrangement was announced on 19 March 2015 and the purchase was finalised on 13 April 2015.

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.

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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 2014.

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)

	1.1.- 31.3.2015	1.1.- 31.3.2014	1.1.- 31.12.2014
Revenue	9 134	9 865	40 933
Other income	0	0	0
Materials and services	-2 166	-2 437	-12 508
Employee benefit expenses	-4 646	-4 861	-18 897
Depreciation and impairments	-336	-317	-1 320
Other expenses	-1 522	-1 664	-5 718
OPERATING RESULT	464	586	2 490
Financial income and expenses	-29	-79	-177
RESULT BEFORE TAXES	435	507	2 313
Income tax expenses	-92	-96	-420
	343	411	1 893
OTHER COMPREHENSIVE INCOME TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS			
Cash flow hedges	9	6	6

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Other comprehensive income, net of tax	7	5	5
TOTAL COMPREHENSIVE INCOME	350	416	1 898
Total profit for the period attributable to Owners of the parent	343	411	1 893
Total comprehensive income attributable to Owners of the parent	350	416	1 898
Earnings / share, e(undiluted)	0,02	0,03	0,13
Earnings / share, e(diluted)	0,02	0,03	0,13

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

CONSOLIDATED BALANCE SHEET (TEUR)	31.3.2015	31.3.2014	31.12.2014
ASSETS			
NON-CURRENT ASSETS			
Tangible assets	1 509	1 380	1 652
Intangible assets			
Goodwill	12 730	12 730	12 730
Other intangible assets	2 051	2 702	2 231
Available-for-sale intangible assets	552	548	555
Trade and other receivables	15	32	15
Total non-current assets	16 857	17 393	17 183
CURRENT ASSETS			
Inventories	43	144	35
Trade and other receivables	5 493	6 746	5 290
Cash and cash equivalents	1 838	1 963	2 530

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Total			
current assets	7 374	8 853	7 855
TOTAL ASSETS	24 231	26 246	25 038
EQUITY AND LIABILITIES			
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Share capital	1 009	1 009	1 009
Share premium reserve	75	75	75
Hedging reserve	-16	-23	-23
Reserve for own shares	-1 109	-958	-1 069
Distributable			
equity reserve	6 453	6 392	6 392
Retained earnings	5 225	4 294	5 328
Total equity	11 637	10 789	11 712
Non-current liabilities			
Deferred tax liabilities	494	570	512
Financial liabilities	1 848	3 180	2 591
Current liabilities	10 252	11 707	10 223
Total liabilities	12 594	15 457	13 326
TOTAL EQUITY AND LIABILITIES	24 231	26 246	25 038
CASH FLOW STATEMENT (MEUR)			
	1-3/2015	1-3/2014	1-12/2014
Cash flow from business operations	0,28	0,60	3,27
Cash flow from capital expenditure	-0,01	-0,15	-0,24
Cash flow from financing activities			
Own shares	-0,04	-0,02	-0,14
Dividend distribution	-0,38	-0,38	-0,90
Loan agreements	-0,54	-0,45	-1,82
Cash flow from financing activities	-0,96	-0,85	-2,86
Change in cash and cash equivalents	-0,69	-0,40	0,16

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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 1.1.2014	1 009	-933	75	-28	6 392	4 331	10 846
Total comprehensive income				5		411	416
Acquiring of own shares		-25					-25
Dividend distribution						-449	-449
EQUITY 31.3.2014	1 009	-958	75	-23	6 392	4 294	10 789
EQUITY 1.1.2015	1 009	-1 069	75	-23	6 392	5 328	11 712
Total comprehensive income				7		343	350
Acquiring of own shares		-40					-40
The fees for the Board Members in the form of treasury shares					61		61
Dividend distribution						-447	-447
EQUITY 31.3.2015	1 009	-1 109	75	-16	6 453	5 224	11 636

SEGMENT INFORMATION

Turnover by segment:

Me	1-3/15	1-3/14	Change
Grocery and special retail, HoReCa	4,7	5,1	-0,4
Wholesale, Logistics and Services	3,3	3,4	-0,1
Enterprise Asset & Service Business Management	1,1	1,3	-0,2
Total	9,1	9,9	-0,8

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Operating result by segment:

Me	1-3/15	1-3/14	Change
Grocery and special retail, HoReCa	0,2	0,3	-0,1
Wholesale, Logistics and Services	0,3	0,1	+0,2
Enterprise Asset & Service Business Management	0,0	0,2	-0,2
Total	0,5	0,6	-0,1

QUARTERLY KEY INDICATORS (MEUR)

	2Q/13	3Q/13	4Q/13	1Q/14
Net turnover	9,73	8,59	9,82	9,87
Operating result	0,54	0,63	0,43	0,59
Result before taxes	0,49	0,60	0,36	0,51

	2Q/14	3Q/14	4Q/14	1Q/15
Net turnover	10,52	8,33	12,22	9,13
Operating result	0,55	0,44	0,91	0,46
Result before taxes	0,54	0,41	0,86	0,44

TOTAL INVESTMENTS (TEUR)

	1-3/2015	1-3/2014	1-12/2014
Continuing operations, group total	10	150	958

LIABILITIES (MEUR)

	31.3.2015	31.3.2014	31.12.2014
Business mortgages	10,00	10,00	10,00
Other lease liabilities	0,12	0,17	0,15
Lease liabilities for premises	4,71	3,15	4,90

RELATED PARTY
TRANSACTIONS (TEUR)

	31.3.2015	31.3.2014	31.12.2014
Renting arrangements	21	21	85

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

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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 on both 31.3.2015 and 31.3.2014. Hence they are not presented in table form in the bulletin.

MAJOR SHAREHOLDERS MARCH 31, 2015

	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	1 667 206	11,1 %
5. Keskinäinen Työeläkevakuutusyhtiö Varma	644 917	4,3 %
6. Roininen Matti	415 000	2,8 %
7. Pirhonen Jalo	405 780	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	11 282 066	75,2 %
Total of nominee-registered	249 751	1,7%
Others	3 466 244	23,1 %
Total	14 998 061	100,0 %

FINANCIAL PERFORMANCE

INDICATORS (IFRS)	1-3/2015	1-3/2014	1-12/2014
Net turnover MEUR	9,1	9,9	40,9
Change in net turnover	-7,4 %	-1,2 %	7,4 %
Operating result MEUR	0,5	0,6	2,5
% of turnover	5,1 %	5,9 %	6,1 %
Result before taxes MEUR	0,4	0,5	2,3
% of turnover	4,8 %	5,1 %	5,7 %
Equity ratio, %	49,1	42,3	48,0
Gearing, %	17,6 %	29,1 %	16,3 %
Gross investments in non-current assets MEUR	0,0	0,2	1,0
Return on equity, %	12,4 %	16,2 %	16,8 %
Return on investment, %	12,3 %	15,0 %	15,5 %
Personnel at end of period	269	279	279
Personnel average for period	278	284	281

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KEY INDICATORS PER SHARE

Earnings / share, e	0,02	0,03	0,13
Earnings / share, e(diluted)	0,02	0,03	0,13
Equity / share, e	0,78	0,72	0,79

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

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

Profit from invested equity in percentage

$$\frac{\text{profit or loss before taxation + interest expenses and other financing expenses}}{\text{balance sheet total - non-interest bearing liabilities}} \times 100$$

Earnings per share

$$\frac{\text{pre-tax result - taxes +/- minority interest}}{\text{diluted average share issue corrected number of shares}}$$

Diluted earnings per share

$$\frac{\text{diluted profit before taxation - taxes +/- minority interest}}{\text{diluted average share issue corrected number of shares}}$$

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Equity per share

equity

number of shares

Financial reporting

Solteq Plc's financial information bulletins in 2015 have been scheduled as follows:

- Interim Report 1-6/2015 on Friday July 17, 2015 at 9 am
- Interim Report 1-9/2015 on Friday October 16, 2015 at 9 am

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

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