SOLTEQ

Interim Report

JANUARY 1 – SEPTEMBER 30, 2024

Solteq Plc Interim Report January 1 – September 30, 2024

Twofold third quarter: Profitability improved significantly, revenue fell below comparison period

July–September

- Comparable revenue totaled EUR 11.4 million (12.2) and decreased by 6.5 percent. Revenue totaled EUR 11.4 million (12.2) and decreased by 6.5 percent
- Comparable EBITDA was EUR 1.2 million (-0.1) and EBITDA EUR 0.9 million (0.5). Comparable EBITDA percent was 10.3 (-1.1)
- Comparable operating result was EUR 0.6 million (-0.8) and operating result EUR 0.3 million (-0.7). Comparable operating result percent was 5.4 (-6.7)
- Earnings per share was EUR -0.03 (-0.05)

January–September

- Comparable revenue totaled EUR 38.4 million (39.9) and decreased by 3.9 percent. Revenue totaled EUR 38.4 million (43.4) and decreased by 11.5 percent
- Comparable EBITDA was 2.1 EUR million (-1.3) and EBITDA EUR 1.9 million (9.5). Comparable EBITDA percent was 5.6 (-3.2)
- Comparable operating result was EUR 0.4 million (-3.5) and operating result EUR 0.1 million (5.5). Comparable operating result percent was 1.0 (-8.9)
- Earnings per share was EUR -0.09 (0.15)
- Solteq Group’s equity ratio was 28.9 percent (36.8)
- Net cash flow from operating activities was EUR 0.8 million (-5.3)
- The company expects the comparable revenue to diminish relative to the comparison period and operating result to be positive. The comparable revenue was EUR 54,183 thousand for the financial year 2023

Key figures

	7-9/2024	7-9/2023	Change %	1-9/2024	1-9/2023	Change %	1-12/2023	Rolling 12mos
Revenue, TEUR	11,424	12,217	-6.5	38,394	43,390	-11.5	57,655	52,659
Comparable revenue, TEUR	11,424	12,217	-6.5	38,394	39,938	-3.9	54,183	52,639
EBITDA, TEUR	886	538	64.6	1,860	9,517	-80.5	8,695	1,039
Comparable EBITDA, TEUR	1,175	-135	968.8	2,149	-1,284	267.4	-1,662	1,771
Operating result, TEUR	295	-697	142.3	51	5,549	-99.1	-3,541	-9,040
Comparable operating result, TEUR	614	-821	174.8	370	-3,549	110.4	-4,575	-656
Result for the financial period, TEUR	-591	-975	39.4	-1,802	2,902	-162.1	-5,380	-10,083
Earnings per share, EUR	-0.03	-0.05	39.4	-0.09	0.15	-162.1	-0.28	-0.52
Operating result, %	2.6	-5.7		0.1	12.8		-6.1	-17.2
Comparable operating result, %	5.4	-6.7		1.0	-8.9		-8.4	-1.2
Equity ratio, %				28.9	36.8		30.1	33.3

Profit guidance 2024

The company expects the comparable revenue to diminish relative to the comparison period and operating result to be positive. The comparable revenue was EUR 54,183 thousand for the financial year 2023.

CEO Aarne Aktan:

The company's third quarter brought in, as expected, strong improvement in profitability but the revenue development was weaker than expected. The efficiency measures in the previous quarters yielded a comparable operating result of EUR 0.6 million, which was EUR 1.4 million better than in the comparison period. However, the comparable revenue in the review period, EUR 11.4 million, decreased by 6.5 percent relative to the comparison period. A slow recovery in customer demand caused a weaker revenue development than expected.

The Retail & Commerce segment improved its profitability well, but the revenue development was declining. This was driven by postponed decision-making in several key customer acquisition opportunities, resulting in a shortfall in anticipated revenue. During the review period, comparable revenue was EUR 8.5 million, down by 7.5 percent relative to the comparison period. The comparable operating result was EUR 0.7 million, up by 177 percent relative to the comparison period. The improvement was EUR 0.5 million.

The Utilities segment performed as expected and is on the verge of achieving profitable growth. The turnaround in profitability progressed well: the segment’s comparable operating profit was EUR -0.1 million, improving by EUR 1.0 million relative to the comparison period. The enhanced profitability results from the improved quality of products and efficiency of operations.

The company's financing was agreed during the review period for the next 24 months. The maturity date of the EUR 23 million notes was extended until 1.10.2026, and the coupon rate was increased from 6.0 percent to 10.0 percent.

The revenue downturn is caused by subdued customer demand, particularly in Retail & Commerce, leading to a more cautious outlook for the remainder of the financial year. The long-term market outlook for the Retail & Commerce segment is expected to remain moderate, and demand to recover as the markets stabilize. The long-term market outlook for the Utilities segment is expected 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. 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 6.5 percent compared to the previous year and totaled EUR 11,424 thousand (12,217). Operating result for the review period was EUR 295 thousand (-697). Comparable operating result was EUR 614 thousand (-821). Result before taxes was EUR -545 thousand (-1,154) and the result for the financial period was EUR -591 thousand (-975).

January–September

Revenue decreased by 11.5 percent compared to the previous year and totaled EUR 38,394 thousand (43,390). Operating result for the review period was EUR 51 thousand (5,549). Comparable operating result was EUR 370 thousand (-3,549). Result before taxes was EUR -1,723 thousand (4,970) and the result for the financial period was EUR -1,802 thousand (2,902).

Retail & Commerce

July–September

In the third quarter the Retail & Commerce segment’s comparable revenue was EUR 8,532 thousand (9,226), down by 7.5 percent from the comparison period. Comparable EBITDA for July–September was EUR 1,084 thousand (684), and the comparable operating result was EUR 722 thousand (261).

Of the segment's revenue, 66.6 percent came from the Commerce & Data business unit, which specializes in e-commerce solutions and 33.4 percent from the Retail Software business unit, which specializes in software solutions related to the retail industry, car sales and healthcare.

January–September

In the reporting period, the comparable revenue of the segment was EUR 28,944 thousand (30,045), down by 3.7 percent from the comparison period. The comparable EBITDA was EUR 2,683 thousand (2,159), and the comparable operating result was EUR 1,509 thousand (690).

An efficiency and cost-savings program, targeted at the Retail & Commerce segment’s Commerce & Data business unit and the Group administration was carried out during the review period. The goal was to improve profitability by reorganizing and enhancing the efficiency of operations. The company executed cost-savings and reduction measures in Finland and other group companies, and it estimates achieving annual savings of approximately EUR 3.4 million. Approximately a third of the annual cost savings is expected to be realized in 2024.

As part of the efficiency and cost-savings program, change negotiations were carried out in Finland May 6 through June 24, 2024. Based on the resignations and layoffs, the company's workforce will be reduced by 24 employees in Finland. The negotiations concerned the personnel of the Commerce & Data unit and the Group administration.

Retail & Commerce	7-9/2024	7-9/2023	Change %	1-9/2024	1-9/2023	Change %	1-12/2023
Revenue, TEUR	8,532	9,226	-7.5	28,944	33,496	-13.6	43,958
Comparable revenue, TEUR	8,532	9,226	-7.5	28,944	30,045	-3.7	40,486
Comparable EBITDA, TEUR	1,084	684	58.4	2,683	2,159	24.3	2,315
Comparable EBITDA, %	12.7	7.4		9.3	7.2		5.7
EBITDA, TEUR	828	1,062	-22.0	2,428	11,756	-79.3	11,580
EBITDA, %	9.7	11.5		8.4	35.1		26.3
Comparable operating result, TEUR	722	261	177.0	1,509	690	118.8	449
Comparable operating result, %	8.5	2.8		5.2	2.3		1.1
Operating result, TEUR	436	379	15.2	1,223	9,405	-87.0	5,177
Operating result, %	5.1	4.1		4.2	28.1		11.8

Utilities

July–September

In the third quarter, the Utilities segment's revenue was EUR 2,892 thousand (2,991), down by 3.3 percent from the comparison period. Comparable EBITDA for July–September was EUR 92 thousand (-819), and the comparable operating result was EUR -108 thousand (-1,082).

Of the segment's revenue, 88.2 percent came from the Utilities Software business unit, which specializes in energy sector software products, and 11.8 percent from the Utilities Consulting business unit, which specializes in expert services for the energy sector.

January–September

The revenue for the reporting period was EUR 9,450 thousand (9,894), down by -4.5 percent from the comparison period. The comparable EBITDA was EUR -534 thousand (-3,443), and the comparable operating result was EUR -1,139 thousand (-4,238).

Recurring revenue accounted for 46.0 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.

On April 3, 2024, Solteq Plc's EVP of Utilities and Executive Team member, Jaakko Hirvensalo, announced his resignation. Hirvensalo continued in his position until the end of April 2024, after which the CEO of Solteq Plc, Aarne Aktan took on also the leadership responsibilities of the Utilities segment's business.

Utilities	7-9/2024	7-9/2023	Change %	1-9/2024	1-9/2023	Change %	1-12/2023
Revenue, TEUR	2,892	2,991	-3.3	9,450	9,894	-4.5	13,697
Comparable EBITDA, TEUR	92	-819	111.2	-534	-3,443	84.5	-3,976
Comparable EBITDA, %	3.2	-27.4		-5.6	-34.8		-29.0
EBITDA, TEUR	58	-523	111.0	-568	-2,239	74.6	-2,885
EBITDA, %	2.0	-17.5		-6.0	-22.6		-21.1
Comparable operating result, TEUR	-108	-1,082	90.0	-1,139	-4,238	73.1	-5,024
Comparable operating result, %	-3.7	-36.2		-12.0	-42.8		-36.7
Operating result, TEUR	-142	-1,075	86.8	-1,172	-3,856	69.6	-8,718
Operating result, %	-4.9	-35.9		-12.4	-39.0		-63.7

Balance sheet and financing

Total assets amounted to EUR 53,241 thousand (68,896) at the end of the review period. Liquid assets totaled EUR 1,086 thousand (2,693). The company has a standby credit limit of EUR 5,000 thousand which was unused at the end of the review period. At the end of the comparison period, EUR 2,000 thousand 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 1,176 thousand (1,439) of the bank account credit limit was in use. At the end of the review period, the company had a EUR 247 thousand (329) Business Finland loan for product development.

The Group's interest-bearing liabilities were EUR 25,052 thousand (29,033).

Solteq Group's equity ratio was 28.9 percent (36.8).

On October 1, 2020, Solteq issued a fixed rate senior bond with a nominal value of EUR 23.0 million, of which the company holds EUR 0.6 million. The bond will mature on October 1, 2026. The bond can be redeemed before the final maturity date.

The original maturity date was October 1, 2024. The terms of the bond were amended in a written procedure, signed on September 13, 2024, and:

- the Final Maturity Date was extended under the Terms and Conditions by 24 months, with the new Final Maturity Date being 1 October 2026;
- the coupon rate on the Notes was increased from 6.0 percent to 10.0 percent;
- the redemption price applicable to Voluntary Total Redemptions under the Terms and Conditions was amended by gradually increasing the redemption price of the Notes from 100.0 percent to 104.0 percent during the extended maturity period of the Notes; and
- the permitted size of the Working Capital Facility included in the Terms and Conditions of the Notes was decreased to either EUR 7 million or 90 percent of EBITDA, whichever is greater.

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 not 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.

More information about the Bond and its terms and conditions are available on the company's website.

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 659 thousand (2,429). No investments were made in business acquisitions during the review nor the comparison period. 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. A total of EUR 0 thousand (2,260) 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 659 thousand (169). Other investments include the net change in rented premises and equipment, totaling EUR 610 thousand (169).

Capitalized development costs included EUR 0 thousand (1,405) in personnel costs.

In December 2023, the company changed its operating logic of dealing with product development activities. The development of own software products is part of continuous services and standard operations, and the related product development costs no longer meet the requirements for activation. The development costs of these existing software products are thus treated as cost items in the income statement as part of normal business operations, and product development cost activations ceased in the last quarter of the financial year 2023.

Depreciations and impairments

Depreciations and impairments in the review period totaled EUR 1,810 thousand (3,968), of which depreciations from premises accounted for EUR 1,156 thousand (1,269).

Personnel

The number of permanent employees at the end of the review period was 436 (544).

Key figures for Group's personnel

	7-9/2024	7-9/2023	1-9/2024	1-9/2023	1-12/2023
Average number of personnel during period			467	591	572
Employee benefit expenses, TEUR	6,243	6,810	22,146	25,015	33,570

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, 2024, was EUR 1,009,154.17, 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 3.4 million shares (2.8) and EUR 2.6 million (3.6). The highest rate during the review period was EUR 0.99 and the lowest rate was EUR 0.54. The weighted average rate of the share was EUR 0.75, and the end rate was EUR 0.63. The market value of the company's shares at the end of the review period totaled EUR 12,3 million (18.0).

Ownership

At the end of the review period, Solteq had 6,788 shareholders (7,371). Solteq's 10 largest shareholders owned 10,477 thousand shares, i.e., they owned 54.0 percent of the company's shares and votes.

Annual General Meeting

Solteq's Annual General Meeting of Solteq Plc was held on 27 March 2024. The Annual General Meeting approved the financial statements for the financial year 1 January–31 December 2023 and discharged the CEO and members of the Board of Directors who were active during the financial year 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, 2023.

The Annual General Meeting adopted the remuneration report of the company's governing bodies for year 2023 and approved the amended remuneration policy for governing bodies.

The Annual General Meeting approved the proposal of the Board of Directors to amend Articles 1 and 11 of the Articles of Association so that the domicile of the company is Espoo and that a general meeting of shareholders can be held in addition to the domicile of the company in Helsinki or Vantaa.

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 includes 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 30 April 2025. This authorization cancels the corresponding decision made by the Annual General Meeting 2023.

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 development 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 30 April 2025. This authorization cancels the corresponding decision made by the Annual General Meeting 2023.

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 30 April 2025. This authorization cancels the corresponding decision made by the Annual General Meeting 2023.

Board of Directors and auditors

The Annual General Meeting on March 27, 2024, resolved that 7 members were elected to the Board of Directors. The Annual General Meeting resolved to elect the following members of the Board of Directors according to proposal of the Shareholders' Nomination Committee of Solteq Plc: Markku Pietilä, Katarina Cantell, Panu Porkka, Anni Sarvaranta, Mika Sutinen, Esko Mertsalmi and Lotta Airas.

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 elected audit firm PricewaterhouseCoopers Oy as the auditor of the company. PricewaterhouseCoopers Oy has informed that Tiina Puukkoniemi, Authorised Public Accountant (KHT), Authorised Sustainability Auditor (KRT), is the auditor with principal responsibility. PricewaterhouseCoopers Oy was also selected to carry out the assurance of the Company's sustainability reporting for the financial year 2024, and Tiina Puukkoniemi, Authorised Public Accountant (KHT), Authorised Sustainability Auditor (KRT), would also act as the responsible sustainability reporting assurance provider. However, the company is not obliged to prepare a sustainability report for the financial year 2024, because as result of changes that took place in the company during the reporting period, the required limit values are not met. The company has decided not to prepare a CSRD-compliant sustainability report for the 2024 financial year.

Other events during the review period

On January 25, 2024, Solteq announced the proposals of Solteq's Shareholders' Nomination Committee for the 2024 Annual General Meeting. Solteq Plc's Shareholders' Nomination Committee proposes to the Annual General Meeting, planned to be held on March 27, 2024, that seven (7) members are elected to the Board of Directors, the current Board members – Markku Pietilä, Katarina Cantell, Panu Porkka, Anni Sarvaranta, Mika Sutinen, and Esko Mertsalmi – are re-elected, and Lotta Airas is elected as a new member of the Board. The Board members' term will end at the close of the 2025 Annual General Meeting.

On February 2, 2024, Solteq announced changes in the Executive Team of Solteq Plc as of February 2, 2024. With the change, Kari Lehtosalo, the company's CFO and member of the Executive Team since 2019, will step down from his position by mutual agreement. The Board of Directors of Solteq Plc has appointed LL.M. Mikko Sairanen (b. 1985) as the company's new CFO. He will also continue in his role as the company's General Counsel.

On April 3, 2024, Solteq Plc announced changes to the Executive team. Solteq Plc's EVP of Utilities and member of the Executive Team, Jaakko Hirvensalo, announced his resignation. Hirvensalo continued in his current position and as a member of the Executive Team until the end of April 2024. The company started the process of finding a new EVP for Utilities immediately.

On April 24, 2024, Solteq Plc announced having updated the definitions of comparable EBITDA and operating result, and published new figures concerning them for 2023. The company has changed the definition of comparable EBITDA and comparable operating result and added significant changes from product development activations and related depreciation to items affecting comparability. The definition of comparable revenue remains unchanged.

On April 30, 2024, Solteq Plc announced Solteq Plc's CEO, Aarne Aktan taking on the leadership responsibilities of the Utilities segment's business in addition to his current duties.

On April 30, 2024, Solteq Plc announced initiating an efficiency and cost-savings program to achieve approximately EUR 3.5 million in annual cost savings. The efficiency and cost-savings program concerns the Retail & Commerce segment's Commerce & Data business unit and Group Administration. The goal is to improve profitability by reorganizing and enhancing the efficiency of operations.

On June 24, 2024, Solteq Plc announced that Solteq's efficiency and cost-savings program has been completed. Solteq's efficiency and cost-savings program, targeted at the Retail & Commerce segment's Commerce & Data business unit and the Group Administration has been completed. The company will execute cost-savings and reduction measures in Finland and other group companies, and it estimates achieving annual savings of approximately EUR 3.4 million. Approximately a third of the annual cost savings is expected to be realized in 2024.

On August 2, 2024, Solteq Plc announced preliminary information about its second quarter and announced considering commencing a written procedure to extend the final maturity date of its EUR 23 million notes.

On August 21, 2024, Solteq Plc announced commencing a written procedure to amend the terms and conditions of its EUR 23 million notes due 1 October 2024.

On September 6, 2024, Solteq Plc announced that The members of Shareholders' Nomination Committee of Solteq Plc have been appointed.

On September 13, 2024, Solteq Plc announced that the amendments to the terms and conditions of Solteq Plc notes have been approved in a written procedure.

Events after the review period

On October 23, 2024, Solteq Plc announced it is lowering its guidance on comparable revenue for 2024. The new profit guidance for 2024 is: The company expects comparable revenue to diminish relative to the comparison period and operating result to be positive. The comparable revenue was EUR 54,183 thousand for the financial year 2023. The previous profit guidance for 2024 was: The company expects the comparable revenue to grow and the operating result to be positive. The comparable revenue was EUR 54,183 thousand for the financial year 2023.

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

In the management's view, the material uncertainties and near-term risks directed at the company's business and financial position in the near future are related to the general economic uncertainty, the customer demand for the services offered by the company, and the financial market situation. The weakened economic situation and other indirect effects can affect the investment ability of client companies and cause credit losses. In addition, the changed security situation increases the risk of cyber attacks and disruptions in business.

The weakened economic situation, inflation, rising financing costs and other indirect impacts may further weaken customer companies' investments in Solteq's products and services in both the short and long term. The weakening of the security situation increases the risk of cyber attacks and other disruptions in society that may have an impact on the company's business.

Other key uncertainties and risks relate to managing changes in the balance sheet structure, the timing and pricing of transactions on which revenue is based, changes in the cost level, the development of the company's own products and their commercialization, and the company's ability to manage extensive contract and delivery packages.

The most important risks and uncertainties for the company's business are monitored regularly as part of the work of the Board of Directors and Executive Team. In addition, the company has an Audit Committee appointed by the Board of Directors, whose tasks include monitoring the company's financial and financing situation.

Going concern principle

In assessing the going concern principle, the management of the company has considered the risks related to the refinancing of the company. The key elements of Solteq Group's debt financing are a fixed-rate bond, as well as standby and bank account credit limits.

Solteq issued a fixed-rate unsecured senior bond with a nominal value of EUR 23.0 million on October 1, 2020. Of the EUR 23.0 million bond outstanding at the time of the Interim Report, EUR 0.6 million was held by the company. The terms and conditions of the bond were amended in a written procedure, approved on September 13, 2024, so that the bond matures on October 1, 2026. The standby and bank account credit limits total EUR 7.0 million. The related financial covenants are linked to the terms of the bond.

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 not 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.

In assessing the going concern, the management of the company has considered the effects of the measures taken during the financial year 2024, the financial performance during the review period 1-9/2024, financial forecasts, and risks related to financing as well as the amendments made to the terms of the bond, and other financial instruments used by the company.

Considering the above measures and risks, the management estimates that operations will continue and that the risk of insufficient funding is small. Therefore, the management of the company has deemed it justified to prepare the Interim Report under the going concern principle.

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 2023. The new IFRS standards, taken into use on January 1, 2024, do not have a significant impact on the Group's Interim Report. The information presented in the Interim Report has not been audited.

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	7-9/2024	7-9/2023	1-9/2024	1-9/2023	1-12/2023
Revenue	**11,424**	**12,217**	**38,394**	**43,390**	**57,655**
Other income	10	55	15	8,470	8,309
Materials and services	-1,429	-1,540	-4,513	-5,112	-7,033
Employee benefit expenses	-7,340	-8,109	-25,935	-29,745	-39,936
Other expenses	-1,779	-2,084	-6,101	-7,486	-10,299
Depreciations and impairments	-592	-1,235	-1,810	-3,968	-12,236
Operating result	**295**	**-697**	**51**	**5,549**	**-3,541**
Financial income and expenses	-839	-457	-1,774	-579	-1,174
Result before taxes	**-545**	**-1,154**	**-1,723**	**4,970**	**-4,715**
Income taxes	-46	179	-79	-2,069	-665
Result for the financial period	**-591**	**-975**	**-1,802**	**2,902**	**-5,380**
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Currency translation differences	1	-26	-47	-92	60
Other comprehensive income, net of tax	**1**	**-26**	**-47**	**-92**	**60**
Total comprehensive income	**-589**	**-1,001**	**-1,849**	**2,810**	**-5,320**
Total profit for the period attributable to owners of the parent	-591	-975	-1,802	2,902	-5,380
Total comprehensive income attributable to owners of the parent	-589	-1,001	-1,849	2,810	-5,320
Earnings per share, EUR (undiluted)	-0.03	-0.05	-0.09	0.15	-0.28
Earnings per share, EUR (diluted)	-0.03	-0.05	-0.09	0.15	-0.28

Consolidated statement of financial position

TEUR	30 Sep 2024	30 Sep 2023	31 Dec 2023
Assets			
Non-current assets			
Tangible assets	11	57	25
Right-of-use assets	1,152	2,209	1,781
Intangible assets			
Goodwill	40,523	40,552	40,555
Other intangible assets	771	8,912	1,236
Other investments	437	437	437
Deferred tax assets	1,151	132	1,222
Other long-term receivables	252	259	260
Non-current assets total	**44,297**	**52,559**	**45,515**
Current assets			
Inventories	33	63	60
Trade and other receivables	7,825	13,581	9,762
Cash and cash equivalents	1,086	2,693	1,853
Current assets total	**8,944**	**16,338**	**11,674**
Total assets	**53,241**	**68,896**	**57,189**
Equity and liabilities			
Equity attributable to equity holders of the parent company			
Share capital	1,009	1,009	1,009
Share premium reserve	75	75	75
Distributable equity reserve	13,260	13,260	13,260
Currency translation difference	-193	-297	-146
Retained earnings	1,219	11,302	3,021
Total equity	**15,370**	**25,349**	**17,219**
Non-current liabilities			
Deferred tax liabilities	566	684	575
Financial liabilities	22,522	23,154	246
Lease liabilities	338	690	405
Non-current liabilities total	**23,427**	**24,529**	**1,226**
Current liabilities			
Financial liabilities	1,258	3,522	24,149
Trade and other payables	12,173	13,736	12,940
Provisions	80	93	99
Lease liabilities	933	1,667	1,556
Current liabilities total	**14,444**	**19,019**	**38,745**
Total equity and liabilities	**53,241**	**68,896**	**57,189**

Consolidated cash flow statement

TEUR	1-9/2024	1-9/2023	1-12/2023
Cash flow from operating activities			
Result for the financial period	-1,802	2,902	-5,380
Adjustments for operating result	3,627	-1,438	6,139
Changes in working capital	14	-5,469	-3,471
Interests paid	-1,051	-454	-2,154
Interests received	18	17	81
Taxes paid	-13	-832	-518
Net cash flow from operating activities	**807**	**-5,274**	**-5,302**
Cash flow from investing activities			
Business acquisitions		-20	-20
Divested businesses		11,990	14,137
Investments in tangible and intangible assets	-83	-2,167	-2,351
Net cash used in investing activities	**-83**	**9,803**	**11,766**
Cash flow from financing activities			
Long-term loans, decrease			-548
Short-term loans, increase	1,486	4,371	4,371
Short-term loans, decrease	-2,090	-6,860	-8,601
Payment of finance lease liabilities	-887	-1,403	-1,891
Net cash used in financing activities	**-1,491**	**-3,892**	**-6,668**
Changes in cash and cash equivalents	**-767**	**637**	**-204**
Cash and cash equivalents at the beginning of period	1,853	2,057	2,057
Cash and cash equivalents at the end of period	**1,086**	**2,693**	**1,853**

Consolidated statement of changes in equity

TEUR	Share capital	Share premium account	Invested unrestricted equity reserve	Currency translation difference	Retained earnings	Total
Equity 1 Jan 2023	**1,009**	**75**	**13,260**	**-205**	**8,400**	**22,539**
Result for the financial period					2,902	2,902
Other items on comprehensive income				-92		-92
Total comprehensive income	**0**	**0**	**0**	**-92**	**2,902**	**2,810**
Equity 30 Sep 2023	**1,009**	**75**	**13,260**	**-297**	**11,302**	**25,349**
Equity 1 Jan 2024	**1,009**	**75**	**13,260**	**-146**	**3,021**	**17,219**
Result for the financial period					-1,802	-1,802
Other items on comprehensive income				-47		-47
Total comprehensive income	**0**	**0**	**0**	**-47**	**-1,802**	**-1,849**
Equity 30 Sep 2024	**1,009**	**75**	**13,260**	**-193**	**1,219**	**15,370**

Revenue from contracts with customers

Retail & Commerce

TEUR	7-9/2024	7-9/2023	1-9/2024	1-9/2023	1-12/2023
Services	6,547	7,172	22,726	27,059	35,440
Recurring revenue / SaaS	1,604	1,570	4,868	4,692	6,335
Software and hardware sales	381	485	1,350	1,745	2,182
Total	**8,532**	**9,226**	**28,944**	**33,496**	**43,958**

Utilities

TEUR	7-9/2024	7-9/2023	1-9/2024	1-9/2023	1-12/2023
Services	1,284	1,835	4,898	6,145	8,686
Recurring revenue / SaaS	1,557	1,130	4,343	3,354	4,544
Non-recurring sales	51	26	209	395	468
Total	**2,892**	**2,991**	**9,450**	**9,894**	**13,697**
Group total	**11,424**	**12,217**	**38,394**	**43,390**	**57,655**

Total investments

TEUR	7-9/2024	7-9/2023	1-9/2024	1-9/2023	1-12/2023
Group total	36	683	659	2,429	2,868

Maturity of financial liabilities

TEUR	Book value	Contractual cash flows	1-12 months	13-24 months	25-36 months	Later
Financial liabilities, 30 Sep 2024						
Bond	22,360	29,172	1,346	2,244	25,582	
Loans from financial institutions	247	250	84	83	82	
Lease liabilities	1,271	1,329	973	208	148	
Trade payables	2,279	2,279	2,279			
Financial liabilities total	**26,156**	**33,029**	**4,682**	**2,536**	**25,812**	**0**
Financial assets, 30 Sep 2024						
Trade receivables	5,921					
Cash and cash equivalents	1,086					
Financial assets total	**7,007**					

The company has a standby credit limit of EUR 5,000 thousand which was unused at the end of the review period. At the end of the comparison period, EUR 2,000 thousand 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 1,176 thousand (1,439) 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

TEUR	30 Sep 2024	30 Sep 2023	31 Dec 2023
Business mortgages	10,000	10,000	10,000
Off-balance sheet lease liabilities	846	1,244	1,032

Related party transactions

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

Major shareholders on September 30, 2024

		Shares and votes	
		number	%
1.	Profiz Business Solution Oy	2,195,569	11.32
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	602,216	3.10
8.	Säästöpankki Small Cap Mutual Fund	500,000	2.58
9.	Incedo Oy	304,001	1.57
10.	Mandatum Life Insurance Company Ltd.	283,439	1.46
10 largest shareholders total		**10,477,115**	**54.02**
Total of nominee-registered		353,188	1.82
Others		8,566,198	44.16
Total		**19,396,501**	**100.00**

Financial performance indicators

	7-9/2024	7-9/2023	1-9/2024	1-9/2023	1-12/2023
Revenue, MEUR	11.4	12.2	38.4	43.4	57.7
Change in revenue, %	-6.5	-14.9	-11.5	-15.8	-15.7
Operating result, MEUR	0.3	-0.7	0.1	5.5	-3.5
% of revenue	2.6	-5.7	0.1	12.8	-6.1
Result before taxes, MEUR	-0.5	-1.2	-1.7	5.0	-4.7
% of revenue	-4.8	-9.4	-4.5	11.5	-8.2
Net investments in non-current assets, MEUR	0.0	0.7	0.7	2.4	2.9
Equity ratio, %			28.9	36.8	30.1
Net debt, MEUR			24.0	26.3	24.5
Gearing, %			155.9	103.9	142.3
Return on equity, rolling 12 months, %			-49.5	5.0	-27.1
Return on investment, rolling 12 months, %			-18.5	10.4	-4.1
Personnel at end of period			436	544	498
Personnel average for period			467	591	572

Key indicators per share

	7-9/2024	7-9/2023	1-9/2024	1-9/2023	1-12/2023
Earnings per share, EUR (undiluted)	-0.03	-0.05	-0.09	0.15	-0.28
Earnings per share, EUR (diluted)	-0.03	-0.05	-0.09	0.15	-0.28
Equity per share, EUR			0.79	1.31	0.89

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 operating result, 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
- Significant changes to the activation of product development costs and the related depreciations.

Updated definitions of comparable EBITDA and operating result

On April 24, 2024, Solteq Plc announced having updated the definitions of comparable EBITDA and operating result, and published new figures concerning them for 2023. The company has changed the definition of comparable EBITDA and comparable operating result and added significant changes from product development activations and related depreciation to items affecting comparability. The definition of comparable revenue remains unchanged.

In December 2023, the company changed its operating logic of dealing with product development activities. The development of own software products is part of continuous services and standard operations, and the related product development costs no longer meet the requirements for activation. The development costs of these existing software products are thus treated as cost items in the income statement as part of normal business operations, and product development cost activations ceased in the last quarter of the financial year 2023. In addition, the company assesses the product development investments activated in the balance sheet and their expected return. As a result of the assessment, the company made write-downs totaling EUR 7.5 million. The change in operating mode affected Solteq Group’s fourth quarter 2023 comprehensive income statement and consolidated balance sheet. The change did not affect the Group’s comprehensive income statements or consolidated balance sheets reported for the first, second and third quarters of 2023.

In the new comparable EBITDA and comparable operating result figures for 2023, quarterly product development activations of existing software products have been adjusted as expenses and related depreciation of previous product development activations has been reversed through profit or loss as if the change described above had been made at the beginning of 2023.

Comparable revenue

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

TEUR	7-9/2024	7-9/2023	1-9/2024	1-9/2023	1-12/2023
Revenue	**11,424**	**12,217**	**38,394**	**43,390**	**57,655**
Items affecting comparability					
BC / LS Retail business transfer agreement				-3,451	-3,472
Total items affecting comparability	**0**	**0**	**0**	**-3,451**	**-3,472**
Comparable revenue	**11,424**	**12,217**	**38,394**	**39,938**	**54,183**

Comparable EBITDA

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

TEUR	7-9/2024	7-9/2023	1-9/2024	1-9/2023	1-12/2023
EBITDA	**886**	**538**	**1,860**	**9,517**	**8,695**
Items affecting comparability					
BC / LS Retail business transfer agreement		-52		-8,773	**-8,532**
Non-recurring severance packages	165	58	165	211	**509**
Costs incurred by the re-organization of operations	124	22	124	22	**22**
Product development activations		-700		-2,260	**-2,356**
Total items affecting comparability	**289**	**-674**	**289**	**-10,801**	**-10,357**
Comparable EBITDA	**1,175**	**-135**	**2,149**	**-1,284**	**-1,662**

Comparable operating result (EBIT)

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

TEUR	7-9/2024	7-9/2023	1-9/2024	1-9/2023	1-12/2023
Operating result (EBIT)	**295**	**-697**	**51**	**5,549**	**-3,541**
Items affecting comparability					
BC / LS Retail business transfer agreement		-52		-8,652	-8,410
Non-recurring severance packages	165	58	165	211	509
Impairment	31		31		7,539
Costs incurred by the re-organization of operations	124	22	124	22	22
Product development activations		-700		-2,260	-2,356
Product development related depreciations		549		1,581	1,663
Total items affecting comparability	**320**	**-125**	**320**	**-9,098**	**-1,034**
Comparable operating result (EBIT)	**614**	**-821**	**370**	**-3,549**	**-4,575**

Calculation of the key figures

Equity ratio, %:

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

Gearing, %:

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

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), %:

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

Earnings per share:

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

Diluted earnings per share:

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

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 and divestments

There were no business combinations during the reporting period.

Business combinations in the financial year 2023

There were no business combinations during the reporting period 2023.

Sold businesses in the financial year 2023

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 20,000 thousand. The fixed purchase price is EUR 15,000 thousand deducted by the net working capital of the business. EUR 12,000 thousand 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 5,000 thousand, 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 8,129 thousand (before tax effects) on the fixed purchase price in the second quarter. The net assets sold in the business transaction were EUR 5,247 thousand, consisting of the allocated goodwill of the business (EUR 5,904 thousand) and provisions for personnel costs related to transferred persons (EUR 657 thousand). In addition, the expenses related to the business transaction were approximately EUR 749 thousand.

The conditions for payment of the possible additional purchase price described above were not met and the additional purchase price was not paid.

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

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

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