



QPR SOFTWARE
FINANCIAL STATEMENTS
BULLETIN
JANUARY – DECEMBER 2022

QPR Software Plc's Financial Statements Bulletin 2022: January–December 2022

QPR SOFTWARE PLC

STOCK EXCHANGE RELEASE

February 10, 2023, AT 9.00 AM EET

QPR Software Plc's Financial Statement Bulletin 2022: In the fourth quarter the SaaS revenue grew by 53% and net sales by 5%. The operating result was clearly negative, which was essentially impacted by the delivery challenges of individual software projects in the Middle East and the decrease in new sales of software licenses. During the accounting period, the partner ecosystem was strengthened, and innovative process mining solutions were introduced to the market.

FINANCIAL DEVELOPMENT BRIEFLY

October-December 2022 highlights

- | SaaS software business grew +53%
- | Net sales amounted to EUR 2,142 thousand, an increase of 5% (October-December 2021: 2,043)
- | EBITDA was EUR -430 thousand (-430)
- | Operating result (EBIT) amounted to EUR -681 thousand (-1,050)
- | Result before taxes was EUR -745 thousand (-1,065)
- | Result was EUR -748 thousand (-1,131)
- | Earnings per share was EUR -0,047 (-0,094)
- | The write-downs of 373 thousand euros made in connection with the financial statements weakened the operating income

In January-December 2022

- | SaaS software business grew +35%
- | Net sales amounted to EUR 7,823 thousand and decreased 14% (January-December 2021: 9,140)
- | EBITDA amounted to EUR -1,753 thousand (241)
- | Operating result (EBIT) amounted to EUR -2,770 thousand (-1,248)
- | Result before taxes was EUR -2,864 thousand (-1,356)
- | Result of the period was EUR -2,868 thousand (-1,356)
- | Earnings per share was EUR -0,202 (-0,113)
- | The write-downs of 373 thousand euros made in connection with the financial statements weakened the operating income

OUTLOOK FOR 2023

The exceptional circumstances caused by increased interest rate, inflation, rising geopolitical risks, and a market downturn in Europe continue to affect new customer acquisition, companies' investments, and prolong decision-making in early 2023.

Supported by the existing contract base and forecasted growth in SaaS (Software as a Service) revenue, QPR expects the SaaS revenue growth to be above 35% and estimates its net sales to increase (2022: 7,823 thousand euros) in 2023.

The company expects notable EBITDA improvement leading to level of break even in the 2023 financial year. EBITDA was -1,753 thousand euros in 2022.

CEO JUSSI VASAMA'S REVIEW:

"I am satisfied with the company's fourth-quarter results and the progress made. SaaS (Software as a Service) revenue grew remarkably by 53% against the comparison period mostly due to a significant contract made to expand process mining SaaS cooperation with a leading global pharmaceutical company at the end of December. Net sales increased compared fourth quarter of 2021 while the operating profit was flat if the write-down for 2021 is not considered. Consulting revenue was also slightly higher than in the comparison period (+2%).

I'm also very pleased that throughout the year 2022 and in line with the company's strategy, SaaS business showed clear growth (+35%). On top of closing new deals with SaaS subscription model with new customers, we successfully transitioned existing customers into SaaS while simultaneously expanding business their value (+45%).

Net sales in 2022 fell short of the last year (-14%). EBITDA and operating profit decreased clearly compared with 2021. The most significant factors were the decrease in perpetual licenses and challenges with the Middle East software delivery projects sold during previous years. The revenue of renewable software licenses decreased (-27%) which, however, is in line with our transition to SaaS business. Also, following Russia's attack on Ukraine in February 2022, we exited from the Russian market. Regarding the acquisition of new customers, the general economic uncertainty has partly postponed customers' decisions and the launch of new tenders.

Consulting revenues were below the previous year primarily due to the previously mentioned difficulties with certain Middle East software delivery projects, which will be completed in the beginning of the second quarter of 2023. The company had to reassess the timing of revenue and invoicing of several contracts related to software delivery projects concluded during 2020 and early 2021, as well as the project profitability, which weakened significantly consulting revenues and software maintenance revenues in 2022. The projects in question are fixed-price implementations of software solutions in the application area of strategy and performance management for public administration customers in the Middle East. Primarily because of this, on September 7, 2022, the company published a profit warning, as the revenue and operating profit were estimated to clearly fall short of the key figures reported for 2021. On September 20, 2022, QPR announced its plan to start change negotiations.

The change negotiations were completed on 7 November 2022. As a result of the negotiations, the company planned to terminate a maximum of 18 positions and lay off temporarily a maximum of 4 employees part-time. At the beginning of the negotiations, the company estimated that the adaptation measures would have led to the termination of a maximum of 25 positions.

QPR aims to achieve significant annual cost savings as result of the change negotiations. The intention of change negotiations was to adjust operations, improve the profitability of the business and enhance the implementation of the company's strategy. The company is consolidating its organizational structure in such a way that it enables more efficient implementation of growth investments. In addition, the company has implemented and initiated significant measures to improve cost efficiency and to minimize the effects of the general rise in cost levels in all operations. The company has also initiated measures to find outsourcing partners for customer deliveries of software solutions in the application area of strategy and performance management.

In March 2022, we published the company's new growth strategy. Adhering to the renewed strategy for 2022 – 2026, the company focuses on the international growth of the process mining SaaS business. The strategy enables growth through investments that are scalable and targeted at selected application areas of process mining. Additionally, the company builds new strategic partnerships to extend its offering. Consulting is also a key part of QPR's offering. QPR provides professional advice, guidance, and actionable solutions to businesses experiencing issues they can't be dealt with in-house.

We have taken important and big steps in implementing the strategy during the last year. I am very satisfied with our launch of several ground-breaking new process mining solutions to the market. The year 2022 was also meaningful with our renewed sales and marketing focus as well as in creating significant new partnerships and developing our global ecosystem further.

In May 2022, we announced a new production version of QPR's process mining software QPR ProcessAnalyzer, which offers our customers the opportunity to improve operations and find cost savings by combining a deep understanding of business processes with real-time process transparency. The solution uses the market-leading Snowflake Data Cloud technology. QPR ProcessAnalyzer is the first and only process mining solution that works natively in the Snowflake data cloud. QPR is globally the first and currently only Process Mining Powered by Snowflake software partner. QPR presented its unique solution and its customer benefits to an international audience at the Snowflake Data Cloud World Tour events in Paris, Stockholm, and Dubai in October.

I am very pleased with QPR's oversubscription of the rights issue in May-June, and the great interest of investors in the implementation of our company's growth strategy. QPR is very fortunate to have owners and shareholders who have shown us their unwavering support especially during the year 2022 by investing in our transformation.

At the end of the third quarter, together with our partner Tietoevry, QPR announced a new process mining solution, SAP S/4HANA Vectorial. SAP S/4HANA Vectorial is designed for customers and SAP and business -analysts as a tool for S/4HANA transformation projects. Such projects are currently of high relevance for organizations around the world. QPR and Tietoevry have combined modern technology with the SAP transformation experience of top experts to create a solution that gives organizations much-needed support in difficult digital transformation projects. I believe this is a significant and potential solution that stands out from our competitors in ensuring successful implementation of ERP and IT system projects in the international market.

In the second half of the past year, QPR succeeded to close a significant contract to expand process mining SaaS cooperation with a leading global pharmaceutical company and to take a process modeling SaaS -solution for a global specialty chemical pioneer, just to mention a few of the biggest ones. I am also grateful for the high level of success, commitment, and dedication of our consultants in numerous successful projects for our domestic and international customers from the design phase to the completion.

In 2023, QPR continues to implement its strategy to ensure continuous, international growth of the process mining SaaS business. As part of the defined measures, the company focuses its operations even more strongly on research & development of innovative process mining solutions and on ensuring efficiency of sales, marketing, and partner business.

We recently communicated that QPR has entered into a new financing agreement of 1.5 million euros with its main financing bank. This financing agreement replaces and refinances the company's current loan and prepares for future growth-supporting working capital needs. This converts the company's short-term loan into a long-term loan term which matures in January 2026. We are very pleased about reaching such a solution as a company.

On 20 December it was announced that I have resigned from my duties and will move to a new position outside the company. Soon after New Year, we were able to announce that Heikki Veijola will start as the new CEO of QPR on 1 March 2023.

I strongly believe the year 2023 will be one of the next milestones in terms of QPR's growth and turnaround. I am very happy and taken by the continuous trust our clients and partners show us. They describe QPR as a reliable, flexible, agile, and highly professional software company and service organization. Our customer and partner satisfaction are first class. I am very pleased to leave this company in the

hands of Heikki, the executive management team, and all QPR's truly professional and committed personnel. I wish QPR the best of luck and success this year and in the future."

KEY FIGURES

EUR in thousands, unless otherwise indicated	Oct-Dec, 2022	Oct-Dec, 2021	Change, %	Jan-Dec, 2022	Jan-Dec, 2021	Change, %
Net sales	2,142	2,054	4	7,823	9,140	-14
EBITDA	-430	-430	0	-1,753	241	-826
% of net sales	-20.1	-20.9		-22.4	2.6	
Operating result	-681	-1,050	35	-2,770	-1,248	-122
% of net sales	-31.8	-51.1		-35.4	-13.7	
Result before tax	-745	-1,065	30	-2,864	-1,356	-111
Result for the period	-748	-1,131	34	-2,868	-1,356	-111
% of net sales	-34.9	-55.0		-36.7	-14.8	
Earnings per share, EUR (basic and diluted)	-0.047	-0.094	51	-0.202	-0.113	-79
Equity per share, EUR	0.030	0.035	-16	0.030	0.035	-16
Cash flow from operating activities	244	123	99	-1,798	692	-360
Cash and cash equivalents	17	441	-96	17	441	-96
Net borrowings	2,262	1,241	82	2,262	1,241	82
Gearing, %	464.9	288.5	61	464.9	288.5	61
Equity ratio, %	7.4	8.3	-11	7.4	8.3	-11
Return on equity, %	-319.2	-406.4	21	-625.7	-111.4	-462
Return on investment, %	-108.1	-195.9	45	-120.3	-49.3	-144

REPORTING

QPR Software innovates, develops, sells, and delivers software and services in international markets aimed at facilitating operational development in organizations. QPR Software reports one operating segment: Operational development of organizations. In addition to this, the Company reports revenue from products and services as follows: Software licenses, Renewable software licenses, Software maintenance services, SaaS (Software-as-a-service,) and Consulting.

Recurring revenue reported by the Company consists of SaaS revenue, Renewable software licenses, and Software maintenance services. Software licenses are sold to customers for perpetual use or for an agreed, limited period. Renewable software licenses are sold to customers as a user right with an indefinite duration. These contracts are automatically renewed at the end of the agreed period, usually one year, unless the agreement is terminated within the notice period. Renewable license revenue is recognized at one point in time, at the beginning of the invoicing period.

Geographical areas reported are Finland, the rest of Europe (including Russia and Turkey), and the rest of the world. Net sales are reported according to the customer's headquarters location. The company has closed its business and partnerships in Russia for the time being.

BUSINESS OPERATIONS

QPR's purpose is to help customers achieve more with less. We help our customers drive process and business transparency, ensure that their operations are run as required and designed, and create actionable intelligence where modern AI meets thought leadership.

We do so by innovating, developing, and delivering software for analyzing, monitoring, and modelling organizations' operations. To ensure maximum customer value, we also offer a wide range of complementary consulting services. By providing organizations with the technologies and methods to transform the invisible into visible and the unknown into manageable, they are empowered to reach long-lasting, continuous results.

NET SALES DEVELOPMENT

NET SALES BY PRODUCT GROUP

Oct-Dec, Oct-Dec, *Change*, Jan-Dec, Jan-Dec, *Change*,

EUR in thousands	2022	2021	%	2022	2021	%
Software licenses	203	162	25	560	1 317	-57
Renewable software licenses	73	133	-45	583	797	-27
Software maintenance services	417	507	-18	1,803	2,034	-11
SaaS	510	334	53	1,738	1,283	35
Consulting	939	919	2	3,139	3,709	-15
Total	2,142	2,054	4	7,823	9,140	-14

NET SALES BY GEOGRAPHIC AREA

EUR in thousands	Oct-Dec, 2022	Oct-Dec, 2021	Change, %	Jan-Dec, 2022	Jan-Dec, 2021	Change, %
Finland	1,088	1,114	-2	4,126	4,614	-11
Europe incl. Turkey	876	693	26	2,745	2,689	2
Rest of the world	178	247	-28	953	1,837	-48
Total	2,142	2,054	4	7,823	9,140	-14

October-December 2022

The revenue for October-December was 2,142 thousand euros (2,054) and increased by 4 %. The share of recurring revenue was 47% (47) of net sales.

The net sales of new software licenses was 203 thousand euros (162) and it grew by 25%, mainly due to the significant agreement concluded in the last quarter of last year with a leading global pharmaceutical company. The net sales of renewable software licenses decreased to 73 thousand euros (133), which was mainly because of the company's strategic focus shifting towards the SaaS business.

The net sales of software maintenance services were EUR 417 thousand (507) and decreased by 18%, because of the decrease through the international channel sales and current customers transfers to SaaS services.

SaaS revenue increased by 53% to EUR 510 thousand (334). SaaS growth accelerated partly due to above mentioned significant contract with pharmaceutical company among other non-disclosed deals and less due to transition from licenses to SaaS model.

At the end of the quarter, the entire offer backlog was EUR 7,300 thousand (Q3; over EUR 8,000 thousand) and the annual estimate of the SaaS offer backlog for the next 12 months was over EUR 1,200 thousand (Q3; over EUR 1,200 thousand). QPR is in the process of renewing its Lead-to-Cash process, with rigorous qualification requirements to be taken into the offering stage. During Q4 the first parts of the process were put into use related to the Lead-to-Deal process. The process development will potentially lead to decrease offer backlog, though with more relevancy and higher success rate.

Consulting revenue was 939 thousand euros (919) and increased by 2%.

The share of recurring revenue remained flat compared to previous year.

Out of groups' revenue 51 % (54) came from Finland, 41% (34) from the rest of Europe (including Turkey), and 8% (12) from the rest of the world.

January-December 2022

Net sales between January and December amounted to EUR 7,823 thousand (9,140). Recurring revenue accounted for 53% (45) of net sales.

Group net sales in Finland decreased by 11%, Europe increased 2% and the rest of the world decreased 48%. Decline in Finland is related to fluctuation of demand with the public sector and decrease in the rest of the world is primarily due to Middle East project. Growth in Europe is in line with our internationalization strategy. Of the net sales, 53% (50) derived from Finland, 35% (29) from the rest of Europe (including Turkey), and 12% (20) from the rest of the world.

During the year 2022, the company strategy was revised to bring SaaS sales into focus. Throughout the year, SaaS business grew by 35%, with net new customer acquisition and expansion of existing SaaS agreements as well as through transitioning from license and maintenance revenue. Along with the transition, recurring contract revenues were on average expanded by 45%. The share of recurring revenue has developed in a direction in line with the strategy and the share of revenue has increased by 8 % from the comparison period. License revenue declined compared to the comparison year due to the adverse impact of transitioning to SaaS model, and to a larger extent due to the challenges with Middle East contracts made in 2020-2021, and to a lesser extent due to Russian business closure and foreign currency impact.

Consulting was 3 139 (3 709) decreasing due to Middle East project challenges and fluctuations in the demand of the Finnish public administration customers.

FINANCIAL DEVELOPMENT

October - December 2022

The Group's EBITDA in October-December was –430 thousand euros (-430) and the operating result was -681 thousand euros (-1,050). The operating result was higher to a larger extent due to the absence of asset impairments (2021: -373) and to a lesser extent due to last quarter's higher revenue.

The Group's fixed expenses were EUR 2,575 thousand (2,484), 4% higher compared to the comparison period due to substantial subcontracting costs for projects in the Middle East, as well as investments in product development, strengthening international business, and marketing. Due to a headwind in the third quarter, the company has undergone major restructuring in the fourth quarter, which will gradually yield into full impact by the end of the first quarter of 2023. Credit losses, which are included in the further quarter fixed costs, were three (3) thousand euros (181).

The result before taxes was –745 thousand euros (-1,065) and the result for the review period was -748 thousand euros (-1,131). Earnings per share were EUR –0.047 (-0.094) per share.

January - December 2022

The Group's EBITDA was –1,753 thousand euros (241) and the operating result was –2,770 thousand euros (-1,248). The operating profit was weakened by the decreased revenue due to the timing of the Middle East project's monetization, the absence of significant new license sales, and the higher operating expenses.

The group's expenses were 8% higher than the comparison period due to significant subcontracting costs for projects in the Middle East, as well as investments in product development, marketing and international sales in line with the SaaS business focus of the strategy.

In summary, the Middle East contracts concluded in 2020 and early 2021 have affected the company's profitability and cash flow in 2021 compared to 2022 with higher license income, higher subcontracting costs in 2022 and partly by committing QPR's resources to non-billable work in these projects instead of other client projects. According to the latest estimates, the projects will be completed in the beginning of the second quarter of 2023.

As a result of the change negotiations ended 7 November 2022 the company aims for significant annual savings. The intent of change negotiations was to adjust operations, improve the profitability of the business and enhance the implementation of the company's strategy. The company is consolidating its organizational structure in such a way that it enables more efficient implementation of growth investments. In addition, the company has implemented and initiated significant measures to improve cost efficiency and to minimize the effects of the general rise in cost levels in all operations. The company has also initiated measures to find outsourcing partners for customer deliveries of software solutions in the application area of strategy and performance management.

The result for the review period was -2,868 thousand euros (-1,356) and the profit per share was -0.202 euros (-0.113) per share.

FINANCE AND INVESTMENTS

Cash flow from operations in the review period, January-December, was –1,798 thousand euros (692). The change in operating cash flow compared to 2021 was due to operating loss and changes in working capital. In practical terms, Middle East projects caused the majority of the change in operating cash flow, along with operative investments in internationalization and R&D, netted off by a slightly positive change in net working capital.

Net financial expenses were 62 thousand euros (108), and they included exchange rate losses of 20 thousand euros (12). In 2021, the costs include a one-time guaranteed payment related to the completed project, which the company paid in January.

The investments were 1,353 thousand euros (942), and they were mainly product development investments.

Net cash from financing activities was 2,726 thousand euros primarily from the rights issue.

The group's financial position is fair. At the end of the review period, the group's cash assets were EUR 17 thousand (441), with 3 452 thousand (2 694) current receivables. Out of the receivables, 82% are in euros and most invoices were not due (69%). The share of overdue receivables between 1 - 30 days was 23%, between 30-60 days 6%, and over 60 days was 3% of the total amount of current receivables. The company has changed the invoicing cycle and improved the efficiency of its collections. In addition, the group has available other short-term cash resources of 1 million. Euros, which will decrease to 500,000 euros at the end of February 2023. At the end of the review period, the group had 1,500 thousand euros of short-term bank loans.

The financial statement has been prepared on the Going Concern principle. QPR Software entered into a new financing agreement of 1.5 million euros with its main financing bank on 24 January 2023. This financing agreement replaces and refinances the company's current loan and prepares for future growth-supporting working capital needs. The new loan has a three-year loan term and matures on January 31, 2026.

In accordance with the financing agreement, the first installment of EUR 0.5 million is due on January 31, 2024. After this, installments of EUR 0.5 million are due every year in January. The company will withdraw the loan in April 2023 and convert it into the current interest-

bearing loan.

Net debt in relation to equity (Gearing) was 465% (289) and the equity ratio at the end of the review period was 7.4% (8.3). The net debt ratio and the equity ratio were affected by the decrease in equity and cash resources, as well as a new 5.5-year lease agreement related to the head office premises, where the monthly rental costs are significantly lower.

PRODUCT DEVELOPMENT

QPR innovates and develops software products that analyze, measure, and model operations in organizations. The Company develops the following software products: QPR ProcessAnalyzer, QPR EnterpriseArchitect, QPR ProcessDesigner, and QPR Metrics.

In the fourth quarter of the year, product development expenses were EUR 533 thousand (454). Product development expenses worth EUR 298 thousand (208) were capitalized. The amortization of capitalized product development expenses was EUR 164 thousand (411). In Q4'21 there was an R&D asset write-off of -218 thousand euros impacting to comparison year.

The amortization period for capitalized product development expenses is four years.

Product development expenses for the full year were 2,674 thousand euros (1,409) and product development expenses were capitalized in the balance sheet in the amount of 1,321 thousand euros (750). Product development depreciation of 660 thousand euros (953) was recorded in the reporting period. In 2021 there was an R&D asset write-off.

PERSONNEL

At the end of the financial year, the Group employed a total of 85 people (82). The average number of personnel during the year 2022 was 82 (80).

The average age of employees was 44 (42.7) years. Women account for 26% (25) of employees, and men for 74% (75). Of all personnel, 17% (19) work in sales and marketing, 44% (42) in consulting and customer care, 30% (31) in product development, and 9% (8) in administration.

For incentive purposes, the company has a bonus program covering the entire personnel. The top management's short-term remuneration consists of monetary salary, fringe benefits and a possible annual bonus, mainly determined by the turnover development of the group and profit units. In addition, the company has an option program for key personnel.

SHARES AND SHAREHOLDER

	Jan-Dec, 2022	Jan-Dec, 2021	Change, %
Trading of shares			
Shares traded, pcs	2,263,135	3,323,915	-32
Volume, EUR	2,315,155	6,255,379	-63
% of shares	14.1	27.7	
Average trading price, EUR	1.02	1.88	-46
Average trading value per day, EUR	9187	24823	-63
Treasury shares acquired during the year, pcs	0	0	0
Highest closing price	1.86	2.38	-22
Lowest closing price	0.53	1.48	-64
Shares and market capitalization	Dec 31, 2022	Dec 31, 2021	Change, %
Total number of shares, pcs	16,455,321	12,444,863	32
Treasury shares, pcs	413,487	457,009	-10
Book counter value, EUR	0.11	0.11	-
Outstanding shares, pcs	16,041,834	11,987,854	34
Number of shareholders	1,747	1,509	16
Closing price, EUR	0.56	1.85	-70
Market capitalization, EUR	8,983,427	22,177,530	-59
Book counter value of all treasury shares, EUR	45,484	50,271	-10
Total purchase value of all treasury			

shares, EUR	405,726	439,307	-8
Treasury shares, % of all shares	2.5	3.7	-32

On April 6, 2022, the Annual General Meeting authorized the company's Board of Directors to decide on the share issue. On April 22, 2022, the company announced in a separate release that it had begun preparations for the rights issue during the second quarter to enable the necessary growth investments to be made.

On May 19, 2022, with the authorization granted by the Annual General Meeting on 6 April 2022, the Board of Directors of the Company decided on a rights offering and published the terms and conditions of the offering where the Company issued up to 4,010,458 new shares in the Company.

On June 13, 2022, the Company announced the preliminary result of its oversubscribed rights offering, and on June 15, 2022, the final result of its oversubscribed rights offering and amendments to the terms and conditions of the stock options 2019 as a result of the offering.

On June 17, 2022, the Company announced, that new shares issued in the rights offering have been registered with the trade register.

All the related stock exchange releases can be found in the Investors section of the Company's website.

GOVERNANCE

In March 2022, the Board of Directors gave notice to the shareholders of QPR Software Plc that the Annual General Meeting will be held on Wednesday, April 6, 2022. The Board of Directors of the Company resolved on extraordinary measures pursuant to the temporary legislation approved by the Finnish Parliament. In order to prevent the spread of the Covid-19 pandemic, the Annual General Meeting was held without shareholders' presence at the Meeting venue. Participation and exercise of shareholder rights in the Meeting was possible only by way of proxy representation, by submitting counterproposals, and by asking questions in advance.

The Annual General Meeting approved the Board's proposal that no dividend be paid for the financial year 2021. The Annual General Meeting made an advisory decision on the Remuneration Report and decided to approve the presented Remuneration Report. The Annual General Meeting resolved that the number of Board Members is four (4) and elected Pertti Ervi, Matti Heikkonen, Antti Koskela, and Jukka Tapaninen members of the Company's Board of Directors.

The term of office of the members of the Board of Directors expires at the end of the next Annual General Meeting. At its organizing meeting, the Board of Directors elected Pertti Ervi as its Chairman.

The Annual General Meeting elected Authorized Public Accountants KPMG Oy Ab as QPR Software's auditor with Miika Karkulahti, Authorized Public Accountant, acting as principal auditor. The term of office of the auditor expires at the end of the next Annual General Meeting.

The Annual General Meeting decided to authorize the Board of Directors to decide on the conveyance of the own shares held by the Company (share issue) either on one or on several occasions. The share issue can be carried out as a share issue against payment or without consideration on terms to be determined by the Board of Directors.

The Annual General Meeting decided also on the establishment of the shareholders' nomination committee. According to the situation in October 2022, the company's three largest shareholders were each entitled to nominate one member. If the shareholder does not use naming right, the right is transferred to the next largest owner. Roger Kempe, Erkki Myllärniemi, and Eero Leskinen were appointed to the nomination committee of QPR's shareholders.

The nomination committee of QPR Software's shareholders prepares and presents to the general meeting the proposals regarding the remuneration of the board members, the number, and the members to be elected to the board. The now-elected nomination committee will submit its proposal to the company's board for the 2023 annual general meeting at the latest on the fourth Monday of January preceding the next Annual General Meeting.

The Shareholders' Nomination Committee submitted the proposals to the Annual General Meeting 2023, to re-elect Pertti Ervi as Chairman of Board and Matti Heikkonen, Antti Koskela, and Jukka Tapaninen as Board members. All the nominees have given their consent to the position, and they are independent of the company and of the company's significant shareholders. The Board's Nomination Committee proposes that the remuneration of the Board members be kept unchanged.

The Annual General Meeting is planned to be held on May 3, 2023. The proposals will be also included in the annual general meeting invitation, which will be announced later.

All relevant stock exchange releases and the company's annual report 2021 can be found on the company's website in the Investors section.

THE BOARD OF DIRECTORS' PROPOSAL ON DIVIDEND

At the end of the financial year 2022, the distributable funds of the parent company were EUR 311 417. The Board of Directors will propose at the Annual General Meeting that no dividend is to be paid for the financial year 2022.

No material changes have taken place in the Company's financial position after the end of the financial year.

SHORT-TERM RISKS AND UNCERTAINTIES

Internal control and risk management at QPR Software aim to ensure that the Company operates efficiently and effectively, distributes reliable information, complies with regulations and operational principles, reaches its strategic goals, reacts to changes in the market and operational environment, and that business continuity is secured considering the financial position.

The Company has identified the following three groups of risks related to its operations: risks related to business operations (country, customer, personnel, legal), risks related to information and products (QPR products, IPR, data privacy and security), and risks related to financing and liquidity (foreign currency, short-term cash flow).

The Company has an insurance policy covering property, operational, and liability risks. Financial risks include reasonable credit risk concerning individual business partners, which is characteristic of any international business. QPR seeks to limit this credit risk by continuously monitoring standard payment terms, receivables, and credit limits.

Approximately 82% of the Group's trade receivables were in euros at the end of the quarter (75%). At the end of the quarter, the Company had not hedged its non-euro trade receivables.

ACQUIRED BUSINESS OPERATIONS, PARENT COMPANY

The branch to France was established under QPR Software Plc in 2022.

EVENTS AFTER THE REVIEW PERIOD

New financing agreement

QPR Software entered into a new financing agreement of 1.5 million euros with its main financing bank on 24 January 2023. This financing agreement replaces and refinances the company's current loan and prepares for future growth-supporting working capital needs. The new loan has a three-year loan term and matures on January 31, 2026.

In accordance with the financing agreement, the first installment of EUR 0.5 million is due on January 31, 2024. After this, installments of EUR 0.5 million are due every year in January. The company will withdraw the loan in April 2023 and convert it into the current interest-bearing loan.

The covenants of the loan are based on the company's EBITDA and equity ratio. The EBITDA of the covenants is tested every six months and the equity ratio annually according to the status on the last day of the year.

New CEO to start in the position on March 1, 2023

On 20 December 2022, QPR Software Plc's CEO Jussi Vasama announced his resignation in order to assume a new position outside of QPR.

QPR Software Plc's Board of Directors appointed Heikki Veijola (born 1970) as the company's new CEO on 2 January 2023. Veijola will start in the position on March 1, 2023.

Veijola has a master's degree in economics (M.Sc., Turku School of Economics and Business Administration) majoring in international marketing.

Veijola has most recently served as Enreach Oy's Director of Strategic Partnerships and a member of the executive management team, being responsible for business operations in the Microsoft and Salesforce ecosystems as well as for cooperation with system integrators, consultants, and other strategic partnerships, especially in Northern Europe. Before this, Veijola was the Sales Director of Enreach Oy.

FINANCIAL INFORMATION AND ANNUAL GENERAL MEETING

QPR will publish three interim reports in 2023:

- Interim report January–March 2023 on Wednesday 3 May 2023
- Half-year financial report January-June 2023 on Friday 21 July 2023
- Interim report January-September 2023 on Friday 20 October 2023

QPR's annual report 2022 will be published on March 20, 2023, and QPR's annual general meeting 2023 is scheduled to be held on Wednesday 3 May 2023. The board of directors convenes the annual general meeting with an invitation to be announced later.

The annual report can be found on the company's website in the Investors section.

QPR SOFTWARE PLC
BOARD OF DIRECTORS

For further information:

Jussi Vasama
Chief Executive Officer
QPR Software Plc
Tel. +358 50 380 9893

About QPR Software

QPR Software Plc (Nasdaq Helsinki) provides process mining, performance management, and enterprise architecture solutions for digital transformation, strategy execution, and business process improvement in over 50 countries. QPR software allows customers to gain valuable insights for informed decisions that make a difference.

Dare to improve. www.qpr.com

DISTRIBUTION

Nasdaq Helsinki
Key medias
www.qpr.com

FINANCIAL STATEMENT INFORMATION

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

EUR in thousands, unless otherwise indicated	Oct- Dec, 2022	Oct- Dec, 2021	<i>Change,</i> %	Jan- Dec, 2022	Jan- Dec, 2021	<i>Change,</i> %
Net sales	2,142	2,054	4	7,823	9,140	-14
Other operating income	4	-	-	4	-	-
Materials and services	411	224	84	1,552	1,106	40
Employee benefit expenses	1,951	1,925	1	7,214	6,824	6
Other operating expenses	214	335	-36	814	968	-16
EBITDA	-430	-430	0	-1,753	241	-826
Depreciation and amortization	251	620	-60	1,017	1,489	-32
Operating result	-681	-1,050	35	-2,770	-1,248	-122
Financial income and expenses	-32	-15	-112	-62	-108	43
Provisions	-33	-	-	-33	-	-
Result before tax	-745	-1,065	30	-2,864	-1,356	-111
Income taxes	-3	-66	-95	-3	0	1,118
Result for the period	-748	-1,131	34	-2,868	-1,356	-111
Earnings per share, EUR (basic and diluted)	-0.047	-0.094	51	-0.202	-0.113	-79

Consolidated statement of

comprehensive income:						
Result for the period	-748	-1,131	34	-2,868	-1,356	-111
Other items in comprehensive income that may be reclassified subsequently to profit or loss:						
Exchange differences on translating foreign operations	-1	-1	-47	-2	0	-916
Total comprehensive income	-749	-1,132	34	-2,870	-1,356	-112

CONDENSED CONSOLIDATED BALANCE SHEET

EUR in thousands	Dec 31, 2022	Dec 31, 2021	Change, %
Assets			
Non-current assets:			
Intangible assets	2,411	1,711	41
Goodwill	358	358	0
Tangible assets	171	171	0
Right-of-use assets	756	148	410
Other non-current assets	277	277	0
Total non-current assets	3,973	2,666	49
Current assets:			
Trade and other receivables	3,452	2,694	28
Cash and cash equivalents	17	441	-96
Total current assets	3,469	3,135	11
Total assets	7,442	5,800	28
Equity and liabilities			
Equity:			
Share capital	1,359	1,359	0
Other funds	21	21	0
Treasury shares	-406	-439	-8
Translation differences	-66	-68	-2
Invested non-restricted equity fund	2,943	5	54932
Retained earnings	-3,364	-448	-651
Equity attributable to shareholders of the parent company	487	430	13
Non-current liabilities:			
Interest-bearing lease liabilities	609	-	-
Total non-current liabilities	609	-	-
Current liabilities:			
Provisions	33	-	
Interest-bearing liabilities	1,521	1,500	1
Interest-bearing lease liabilities	149	182	-18
Advances received	885	627	41
Accrued expenses and prepaid income	2,598	2,293	13
Trade and other payables	1,161	768	51

Total current liabilities	6,346	5,370	18
Total liabilities	6,955	5,370	30
<u>Total equity and liabilities</u>	<u>7,442</u>	<u>5,800</u>	<u>28</u>

CONSOLIDATED CONDENSED CASH FLOW STATEMENT

EUR in thousands	Oct- Dec, 2022	Oct- Dec, 2021	Change, %	Jan- Dec, 2022	Jan- Dec, 2021	Change, %
Cash flow from operating activities:						
Result for the period	-748	-1,131	34	-2,868	-1,356	-111
Adjustments to the result	72	631	-89	840	1,518	-45
Working capital changes*	969	641	51	307	713	-57
Interest and other financial expenses paid	-29	-14	110	-58	-164	-65
Interest and other financial income received	0	1	-100	0	3	-100
Income taxes paid	-21	-5	296	-21	-22	-5
Net cash from operating activities	244	123	99	-1,798	692	-360
Cash flow from investing activities:						
Purchases of tangible and intangible assets	-189	-349	-46	-1,353	-942	44
Net cash used in investing activities	-189	-349	-46	-1,353	-942	44
Cash flow from financing activities:						
Proceeds from short term borrowings	21	500	-96	1,521	1,500	1
Repayments of short term borrowings	-	-	-	-1,500	-991	51
Payment of lease liabilities	-82	-84	-2	-266	-	-
Sales of own shares	-	-	-	34	-	-
Share issue net	-11	-	-	2,937	-	-
Net cash used in financing activities	-72	416	-117	2,726	509	435
Net change in cash and cash equivalents	-18	190	-109	-425	258	-265
Cash and cash equivalents at the beginning of the period	36	251	-86	441	185	138
Effects of exchange rate changes on cash and cash equivalents	-1	0	-199	1	-2	145
Cash and cash equivalents at the end of the period	17	441	-96	17	441	-96

*included 127 thousand euros non-interest bearing liabilities related to investment activities

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Share	Other	Translation	Treasury	Invested non- restricted equity	Retained
-------	-------	-------------	----------	--	----------

EUR in thousands	capital	funds differences	shares	fund earnings	Total
Equity Jan 1, 2021	1,359	21	-69	-439	5 881 1,758
Stock option scheme					26 26
Comprehensive income			2		-1,356 -1,354
Equity Dec 31, 2021	1,359	21	-68	-439	5 -448 430
Stock option scheme					-47 -47
Disposal of own shares			34		34
Share issue ,net				2,937	2,937
Comprehensive income			2		-2,870 -2,868
Equity Dec 31, 2022	1,359	21	-66	-406	2,943 -3,364 487

NOTES TO INTERIM FINANCIAL STATEMENTS

ACCOUNTING PRINCIPLES

This report complies with the requirements of IAS 34 "Interim Financial Reporting". Starting from the beginning of 2022, the Group has applied certain new or revised IFRS standards and IFRIC interpretations, as described in the Consolidated Financial Statements 2021. The implementation of these new and revised requirements has not impacted on the reported figures. For all other parts, the accounting principles and methods are the same as they were in the 2021 financial statements.

This financial statement has been prepared according to Going Concern -principle considering efficiency improvement measures, operating forecast as well as the re-financing agreement the company made in January 2023.

In preparation of the consolidated financial statements, management is required to make estimates and assumptions regarding the future and to consider the appropriate application of accounting principles, which means that actual results may differ from those estimated.

All amounts presented in this report are consolidated figures, unless otherwise noted. The amounts presented in the report are rounded, so the sum of individual figures may differ from the sum reported. This report is unaudited.

INTANGIBLE AND TANGIBLE ASSETS

EUR in thousands	Jan-Dec, 2022	Jan-Dec, 2021
Increase in intangible assets:		
Acquisition cost Jan 1	12,846	11,987
Increase	1,371	859
Increase in tangible assets:		
Acquisition cost Jan 1	2,705	2,622
Increase	111	83

CHANGE IN INTEREST-BEARING LIABILITIES

EUR in thousands	Jan-Dec, 2022	Jan-Dec, 2021
Interest-bearing liabilities Jan 1	1,682	947
Proceeds from borrowings	597	1,500
Repayments	-	765
Interest-bearing liabilities Dec 31	2,279	1,682

PLEDGES AND COMMITMENTS

EUR in thousands	Jan-Dec, 2022	Jan-Dec, 2021	Change, %
Business mortgages (held by the Company)	2,382	2,386	0

Minimum lease payments based on lease agreements:

Maturing in less than one year	47	23	106
Maturing in 1-5 years	80	23	247
Total	127	46	176
Total pledges and commitments	2,509	2,432	3

CONSOLIDATED INCOME STATEMENT BY QUARTER

EUR in thousands	Oct-Dec, 2022	July-Sept, 2022	April-June, 2022	Jan-Mar, 2022	Oct-Dec, 2021	July-Sept, 2021
Net sales	2,142	1,468	2,012	2,201	2,054	2,043
Other operating income	4	0	0	0	0	0
Materials and services	411	406	407	328	224	248
Employee benefit expenses	1,951	1,711	1,740	1,811	1,925	1,434
Other operating expenses	214	204	135	263	335	259
EBITDA	-430	-853	-270	-201	-430	103
Depreciation and amortization	251	249	245	271	620	311
Operating result	-681	-1,102	-515	-472	-1,050	-208
Financial income and expenses	-32	-9	-11	-10	-15	-5
Provisions	-33	-	-	-	-	-
Result before tax	-745	-1,111	-526	-483	-1,065	-213
Income taxes	-3	-	-103	103	-66	49
Result for the period	-748	-1,111	-629	-380	-1,131	-165

GROUP KEY FIGURES

The formulas for calculating key figures can be found on the company's website in the investors section.

EUR in thousands, unless otherwise indicated	Jan-Dec or Dec 31, 2022	Jan-Dec or Dec 31, 2021
Net sales	7,823	9,140
Net sales growth, %	-14.4	1.9
EBITDA	-1,753	241
% of net sales	-22.4	2.6
Operating result	-2,770	-1,248
% of net sales	-35.4	-13.7
Result before tax	-2,864	-1,356
% of net sales	-36.6	-14.8
Result for the period	-2868	-1,356
% of net sales	-36.7	-14.8
Return on equity (per annum), %	-625.7	-111.4
Return on investment (per annum), %	-120.3	-49.3
Cash and cash equivalents	17	441
Net borrowings	2,262	1,241
Equity	487	430
Gearing, %	464.9	288.5
Equity ratio, %	7.4	8.3
Total balance sheet	7,442	5,800

Investments in non-current

assets	2,324	942
% of net sales	29.7	10.3
Product development expenses	2,674	2,115
% of net sales	34.2	23.1
Average number of personnel	81	80
Personnel at the beginning of period	80	88
Personnel at the end of period	85	80
Earnings per share, EUR (basic and diluted)	-0.202	-0.113
Equity per share, EUR	0.030	0.035
