

# **QPR Software Plc Interim Report January-March 2023**

QPR SOFTWARE PLC

STOCK EXCHANGE RELEASE

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**QPR Software Plc interim report January-March: SaaS net sales increased by 64% and net sales by 2%. The EBITDA became positive, but the operating result was a loss. QPR Software Named Visionary in 2023 in Gartner® Magic Quadrant™ for Process Mining Tools -report**

## **FINANCIAL DEVELOPMENT BRIEFLY**

### **JANUARY-MARCH 2023**

- SaaS software business grew +64%
- Net sales amounted to EUR 2,237 thousand, an increase of 2% (January-March 2022: 2,201)
- EBITDA was EUR 26 thousand (-201)
- Operating result (EBIT) amounted to EUR -225 thousand (-472)
- Result before taxes was EUR -264 thousand (-483)
- Result was EUR -269 thousand (-380)
- Earnings per share was EUR -0,017 (-0,032)

### **OUTLOOK FOR 2023**

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

Supported by the current contract base and the projected growth of SaaS (Software as a Service) net sales, QPR expects the growth of SaaS net sales to be more than 35% and estimates that the entire net sales increase in 2023 (2022: 7,823 thousand euros).

The company expects the EBITDA to improve considerably and reach the break-even point in the financial year 2023. The EBITDA in 2022 was - 1,753 thousand euros.

## **CEO HEIKKI VEIJOLA'S REVIEW**

"The year 2023 has generally started in an uncertain market situation. Regarding acquiring new customers, the general economic uncertainty has clearly postponed customers' decisions and the launch of new tenders. At the beginning of the year, we succeeded in expanding individual contracts with our existing customers. This indicates high customer satisfaction and our ability to respond quickly to our customers' needs with our high-quality solutions and services.

The company's first quarter net sales increased slightly (2%) from the comparison period after a longer period of decline. SaaS (Software as a Service) net sales grew by 64%, mainly boosted by the significant agreement announced at the end of December 2022. The company's operating result was negative but improved significantly from the comparison period. The net sales of renewable software licenses decreased (-22%), which is, however, in line with the company's current SaaS business model. The company's recurring net sales increased by 22%.

The consulting net sales continued to decrease from the comparison period. The most significant factor is the difficulties in the Middle East software delivery projects sold in previous years. At the end of 2022, the company had to reassess the profitability of several software delivery projects concluded during 2020–2021, as well as the realization of related contract revenues and invoicing. 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.

Previously, it was estimated that the projects in question would be completed at the beginning of the second quarter of 2023. There have been delays in the projects, but our goal is to finish them by the end of the second quarter of the year. These projects continue to strain the company's profitability until they are completed. The discussion with the client about the continuation of the project has been started.

I started as CEO of the company at the beginning of March 2023. In the first quarter of the year, we adapted the company's operations and enhanced the implementation of the strategy. The organizational structure has been condensed so that it enables even more efficient performance of growth-oriented investments.

QPR Software has been a pioneer of process mining technology since 2010, having a solid forerunner and vision of customers' changing needs in the highly competitive process mining market. I am incredibly proud of our achievement of being named a visionary in Gartner's March 2023 Magic Quadrant™ for Process Mining Tools. According to Gartner, "visionaries" are innovators who move the market forward by responding to new, growing demands of high-end customers and providing them with new opportunities for success. Typically, these players appeal to leading customers in their industries.

According to the report, the latest development in process mining comes from QPR ProcessAnalyzer, which runs natively on the Snowflake Data Cloud. This means solving performance, scalability, and security issues. With QPR's process mining solution, users can use Snowflake's virtually limitless scalability, finding process inefficiencies in even billions of data rows in the blink of an eye. The solution comes with direct and real-time access to the data in the Snowflake Data Cloud. Data management, authentication, and access rights are perfectly synchronized with Snowflake. QPR is the first and only Process Mining Powered by Snowflake software partner worldwide.

Process mining using Snowflake Data Cloud technology has shown interest among new and existing customers, and we currently have several POC (Proof Of Concept) projects underway. The general market situation is also reflected here, and customers' decision-making is slow.

More than 80% of Snowflake's customers are in the US market, where QPR is not present. The company plans to explore the possibility of building a partner ecosystem to take this unique process mining solution to the US market.

I am particularly pleased to report that we have also promoted several strategic partnerships during the first quarter. The partnership agreement with Solution BI, which specializes in data analysis and performance management, is an excellent example of how innovations and the value produced for our customers are strategically created together. Solution BI has included process mining and QPR ProcessAnalyzer as part of its offering, enabling them to help their customers understand their operations with the help of data and support organizations' investment decisions and transformations in all business areas. Our solutions and services complement each other and speed up the utilization of new innovations to benefit our current and new customers' business.

Despite the current challenging operating environment, QPR has a solid core business, which is backed by growth opportunities and a growing market. Our technological capabilities, our innovation, and the strategic partnerships that support it offer us the opportunity to help many new customers in achieving their business goals. We are pleased that the first quarter shows a clear improvement compared to the comparison period. After a challenging last year, in the current market situation, the company's business space is tight in terms of cash resources and equity ratio, while operations are still loss-making. The company is actively taking measures to reach the guidance given for the financial year 2023.

I warmly thank our customers and stakeholders for their trust in QPR at the beginning of this year. I would also like to thank all our employees for their dedication and hard work for the company's future and success."

Heikki Veijola

Chief Executive Officer

## KEY FIGURES

EUR in thousands, unless otherwise indicated	Jan-Mar, 2023	Jan-Mar, 2022	Change, %	Jan- Dec, 2022
Net sales	2,237	2,201	2	7,823
EBITDA	26	-201	113	-1,753
% of net sales	1.2	-9.1		-22.4
Operating result	-225	-472	52	-2,770
% of net sales	-10.1	-21.5		-35.4
Result before tax	-264	-483	45	-2,864
Result for the period	-269	-380	29	-2,868
% of net sales	-12.0	-17.3		-36.7

Earnings per share, EUR (basic and diluted)	-0.017	-0.032	47	-0.202
Equity per share, EUR	0.010	0.004	141	0.030
Cash flow from operating activities	475	42	1,032	-1,798
Cash and cash equivalents	172	61	182	17
Net borrowings	2,041	1,542	32	2,262
Gearing, %	1285.1	2998.9	-57	464.9
Equity ratio, %	3.6	1.4	150	7.4
Return on equity, %	-333.0	-631.4	47	-625.7
Return on investment, %	-47.9	-104.7	54	-120.3

## 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 for 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

EUR in thousands	Jan-Mar, 2023	Jan-Mar, 2022	Change, %	Jan-Dec, 2022
Software licenses	179	133	35	560
Renewable software licenses	302	388	-22	583
Software maintenance services	422	463	-9	1,803
SaaS	575	350	64	1,738
Consulting	759	868	-13	3,139
<b>Total</b>	<b>2,237</b>	<b>2,201</b>	<b>2</b>	<b>7,823</b>

## NET SALES BY GEOGRAPHIC AREA

EUR in thousands	Jan-Mar, 2023	Jan-Mar, 2022	Change, %	Jan-Dec, 2022
Finland	1,078	1,161	-7	4,126
Europe incl. Turkey	940	677	39	2,745
Rest of the world	220	363	-39	953
<b>Total</b>	<b>2,237</b>	<b>2,201</b>	<b>2</b>	<b>7,823</b>

## JANUARY-MARCH 2023

The net sales for January-March was 2,237 thousand euros (2,201) and it grew by 2%. The share of net sales from continuous income was 58% (55) of the total net sales. The net sales of new software licenses was 179 thousand euros (133) and it grew by 35%, mainly due to the significant contract concluded in the last quarter of last year with a leading global pharmaceutical company, one batch of which was signed in January-March 2023. During the beginning of the year, we also succeeded in expanding individual contracts with existing customers.

The net sales of renewable software licenses decreased to 302 thousand euros (388), which was mainly due to the company's strategic focus shifting to the SaaS business model.

The net sales of software maintenance services was 422 thousand euros (463) and decreased by 9% due to international channel sales and current customers switching to SaaS services.

SaaS revenue grew by 64%, to 575 thousand euros (350). SaaS growth accelerated partly due to a major deal announced in the last quarter of 2022 with a pharmaceutical company, along with other undisclosed deals, and less due to the transition from licenses to a SaaS model.

The entire offer backlog at the end of the quarter was 7,000 thousand euros (Q4; more than 7,300 thousand euros) and the annual estimate of the SaaS offer base for the next 12 months was more than 1,200 thousand euros (Q4; more than 1,200 thousand euros).

QPR is developing its Lead-to-Cash process, and the bidding phase will have strict qualitative evaluation requirements. During the fourth quarter, the first parts of the process related to the Lead-to-Deal process were implemented. The development of the process may lead to a reduction in the offer pool, albeit with a proportionality and a higher success rate.

The net sales of consulting was 759 thousand euros (868) and it decreased by 13% due to the higher net sales of the Middle East project recorded during the first quarter of the reference year 2022.

48% (53) of the group's net sales came from Finland, 42% (31) from the rest of Europe (including Turkey) and 10% (16) from the rest of the world.

## **FINANCIAL DEVELOPMENT**

### ***January-March 2023***

The group's EBITDA in January-March was 26 thousand euros (-201) and the operating result was -225 thousand euros (-472). The result of the period was -269 thousand euros (-380) and was higher than in the comparison period of 2022, although the January-March 2022 operating result included tax receivables of 103 thousand euros. The tax receivables in question were written off in the second quarter of the reference year 2022.

The group's fixed expenses were 2,068 thousand euros (2,345), 11% lower than the comparison period due to the personnel reductions and savings implemented in the last quarter of 2022, the effect of which was partially reduced by investments in product development and higher subcontracting costs of projects in the Middle East.

The credit losses, which are included in the fixed expenses were three (1) thousand euros (32).

The result before taxes was -264 thousand euros (-483) and the result for the review period was -269 thousand euros (-380). Earnings per share were EUR -0.017 (-0.032) per share.

## **FINANCE AND INVESTMENTS**

Cash flow from operations in the review period January-March was 475 thousand euros (42). The change in operating cash flow compared to the first quarter of the comparison period 2022 was due to operating profit and changes in working capital. Accounts receivables were lower compared to the comparison period due to the advance of the invoicing cycle in the end of the year. Additionally, the contract with the pharmaceutical company published earlier brought a significant change in operating cash flow, which was partly reduced by the Middle East project, as well as higher costs related to product development.

The net financial expenses were 39 thousand euros (10) and they included exchange losses of 4 thousand euros (4).

The investments were 275 thousand euros (344), and they were mainly product development investments.

The net cash flow from financing was -45 thousand euros, consisting mainly of interest expenses.

The financial situation of the group is fair. At the end of the review period, the group's cash and cash equivalents were 172 thousand euros (61) and short-term receivables were 1,685 thousand euros

(2,200). The company has changed its billing cycle and made its collection more efficient. In addition, the group has available other short-term cash resources of 500 thousand euros. At the end of the review period, the group had bank loans, of which long-term 1.0 million euros and short-term 500 thousand euros. Covenants are attached to the loan, which are based on the company's EBITDA and equity ratio. The EBITDA of the covenants is tested every six months, and the equity ratio is tested annually according to the situation on the last day of the year.

The company renewed the financing agreement with its main financing bank on January 24, 2023, according to which the previous short-term loan of EUR 1.5 million will be converted into a long-term loan. According to the financing agreement, the first installment of 0.5 million euros is due on January 31, 2024. After this, installments of 0.5 million euros are due annually in January. The last loan repayment date is January 24, 2026. The company withdraw the loan during the first quarter of the year.

Net debt in relation to equity (gearing) was 1285% (3026) and the equity ratio at the end of the review period was 3.6% (1.4). The net debt ratio and the equity ratio were affected by the decrease in equity and cash resources, as well as the 5.5-year lease agreement made in the last quarter of 2022, which is 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 first quarter of the year, product development expenses were EUR 510 thousand (604). Product development expenses worth EUR 270 thousand (344) were capitalized. The amortization of capitalized product development expenses was EUR 171 thousand (167).

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

## **PERSONNEL**

At the end of the financial year, the Group employed a total of 65 people (79). The average number of personnel during January-March was 67 (75). The number of personnel has decreased due to change negotiations that ended in the last quarter of 2022.

The average age of employees was 45,5 (43,7) years. Women account for 26% (25) of employees, and men for 74% (75). Of all the personnel, 16% (18) work in sales and marketing, 43% (42) in consulting and customer service, 29% (31) in product development and 12% (9) 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 net sales development of the group and profit units. In addition, the company has an option program for key personnel.

## SHARES AND SHAREHOLDER

Trading of shares	Jan-Mar, 2023	Jan-Mar, 2022	Change, %	Jan-Dec, 2022
Shares traded, pcs	483,326	755,902	-36	2,263,135
Volume, EUR	304,257	1,120,862	-73	2,315,155
% of shares	3.0	6.3	-52	14.1
Average trading price, EUR	0.63	1.48	-58	1.02
Average trading value per day, EUR	1207	4448	-73	9187
Treasury shares acquired during the year, pcs	0	0	0	0
Shares and market capitalization	Mar 31, 2023	Mar 31, 2022	Change, %	Dec 31, 2021
Total number of shares, pcs	16,455,321	12,444,863	32	16,455,321
Treasury shares, pcs	413,487	457,009	-10	413,487
Book counter value, EUR	0.11	0.11	-	0.11
Outstanding shares, pcs	16,041,834	11,987,854	34	16,041,834
Number of shareholders	1,794	1,577	14	1,747
Closing price, EUR	0.69	1.34	-48	0.56
Market capitalization, EUR	11,036,782	16,003,785	-31	8,983,427
Book counter value of all treasury shares, EUR	45,484	50,271	-10	45,484
Total purchase value of all treasury shares, EUR	405,726	439,307	-8	405,726
Treasury shares, % of all shares	2.5	3.7	-31.6	2.5

The number of shares in the company increased (4,010,458 new shares) compared to the comparison period due to the rights issue organized by the company in the second quarter of 2022.

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 3 May 2023.

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 2022 can be found on the company's website in the Investors section.

## **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 70% of the Group's trade receivables were in euros at the end of the quarter (73%). At the end of the quarter, the Company had not hedged its non-euro trade receivables.

## **EVENTS AFTER THE REVIEW PERIOD**

The company has no reportable events after the review period.

## **FINANCIAL INFORMATION AND ANNUAL GENERAL MEETING**

During 2023, QPR will publish financial announcements in Finnish and English as follows:

- Half-year report January-June 2023 on Friday 21 July 2023
- Interim report January-September 2023 on Friday 20 October 2023

QPR's annual report 2022 was published on 20 March 2023 and QPR's 2023 annual general meeting will be held on Wednesday 3 May 2023. The board of directors has convened the general meeting with a separately published invitation.

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

**QPR SOFTWARE PLC**

**BOARD OF DIRECTORS**

### **For further information:**

Heikki Veijola

Chief Executive Officer

QPR Software Plc

Tel. +358 40 922 6029

## 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](http://www.qpr.com)

## DISTRIBUTION

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## FINANCIAL STATEMENT INFORMATION

### CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

EUR in thousands, unless otherwise indicated	Jan-Mar, 2023	Jan-Mar, 2022	Change, %	Jan-Dec, 2022
Net sales	2,237	2,201	2	7,823
Other operating income	-	-	-	4
Materials and services	394	328	20	1,552
Employee benefit expenses	1,599	1,811	-12	7,214
Other operating expenses	218	263	-17	814
EBITDA	26	-201	113	-1,753
Depreciation and amortization	251	271	-7	1,017
Operating result	-225	-472	52	-2,770
Financial income and expenses	-39	-10	-278	-62
Provisions	-	-	-	-33
Result before tax	-264	-483	45	-2,864
Income taxes	-5	103	-105	-3
Result for the period	-269	-380	29	-2,868

Earnings per share, EUR (basic and diluted)	-0.017	-0.032	47	-0.202
Consolidated statement of comprehensive income:				
Result for the period	-269	-380	29	-2,868
Other items in comprehensive income that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	1	0	-	-2
Total comprehensive income	-268	-380	29	-2,870

#### CONDENSED CONSOLIDATED BALANCE SHEET

EUR in thousands	Mar 31, 2023	Mar 31, 2022	Change, %	Dec 31, 2022
<b>Assets</b>				
Non-current assets:				
Intangible assets	2,513	1,847	36	2,411
Goodwill	358	358	0	358
Tangible assets	141	186	-24	171
Right-of-use assets	707	70	910	756
Other non-current assets	277	280	-1	277
<b>Total non-current assets</b>	<b>3,997</b>	<b>2,741</b>	<b>46</b>	<b>3,973</b>
Current assets:				
Trade and other receivables	1,685	2,200	-23	3,452
Cash and cash equivalents	172	61	182	17
<b>Total current assets</b>	<b>1,857</b>	<b>2,261</b>	<b>-18</b>	<b>3,469</b>
<b>Total assets</b>	<b>5,853</b>	<b>5,002</b>	<b>17</b>	<b>7,442</b>
<b>Equity and liabilities</b>				
Equity:				
Share capital	1,359	1,359	0	1,359
Other funds	21	21	0	21
Treasury shares	-406	-439	-8	-406
Translation differences	-67	-67	0	-66
Invested non-restricted equity fund	2,943	5	54932	2,943
Retained earnings	-3,691	-828	-346	-3,364
Equity attributable to shareholders of the parent company	159	51	212	487
Non-current liabilities:				
Interest-bearing liabilities	1,000	-	-	-
Interest-bearing lease liabilities	609	-	-	609
<b>Total non-current liabilities</b>	<b>1,609</b>	<b>-</b>	<b>-</b>	<b>609</b>

<b>Current liabilities:</b>				
Provisions	8	-	-	-
Interest-bearing liabilities	500	1,500	-67	1,521
Interest-bearing lease liabilities	104	105	-1	149
Advances received	1,438	1,432	0	885
Accrued expenses and prepaid income	1,438	1,277	13	2,598
<b>Trade and other payables</b>	<b>597</b>	<b>637</b>	<b>-6</b>	<b>1,161</b>
<b>Total current liabilities</b>	<b>4,085</b>	<b>4,951</b>	<b>-17</b>	<b>6,346</b>
<b>Total liabilities</b>	<b>5,694</b>	<b>4,951</b>	<b>15</b>	<b>6,955</b>
<b>Total equity and liabilities</b>	<b>5,853</b>	<b>5,002</b>	<b>17</b>	<b>7,442</b>

#### CONSOLIDATED CONDENSED CASH FLOW STATEMENT

EUR in thousands	Jan-Mar, 2023	Jan-Mar, 2022	Change, %	Jan-Dec, 2022
<b>Cash flow from operating activities:</b>				
Result for the period	-269	-380	29	-2,868
Adjustments to the result	192	270	-29	840
Working capital changes*	583	161	262	307
Interest and other financial expenses paid	-27	-9	195	-58
Interest and other financial income received	0	0	-	0
<b>Income taxes paid</b>	<b>-5</b>	<b>0</b>	<b>-</b>	<b>-21</b>
<b>Net cash from operating activities</b>	<b>475</b>	<b>42</b>	<b>1,032</b>	<b>-1,798</b>
<b>Cash flow from investing activities:</b>				
Purchases of tangible and intangible assets	-275	-344	-20	-1,353
<b>Net cash used in investing activities</b>	<b>-275</b>	<b>-344</b>	<b>-20</b>	<b>-1,355</b>
<b>Cash flow from financing activities:</b>				
Proceeds from short term borrowings	1,500	-	-	1,521
Repayments of short term borrowings	-1,500	-	-	-1,500
Payment of lease liabilities	-45	-77	-42	-266
Sales of own shares	-	-	-	34
Share issue net	-	-	-	2,937
<b>Net cash used in financing activities</b>	<b>-45</b>	<b>-77</b>	<b>-42</b>	<b>2,692</b>
<b>Net change in cash and cash equivalents</b>	<b>156</b>	<b>-379</b>	<b>141</b>	<b>-425</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>17</b>	<b>441</b>	<b>-96</b>	<b>441</b>

Effects of exchange rate changes on cash and cash equivalents	0	-1	63	1
Cash and cash equivalents at the end of the period	172	61	182	17

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR in thousands	Share capital	Other funds	Translation differences	Treasury shares	Invested non-restricted equity fund	Retained earnings	Total
Equity Dec 31, 2021	1,359	21	-68	-439	5	-448	430
Comprehensive income			1			-380	-379
Equity March 31, 2022	1,359	21	-67	-439	5	-829	51
Stock option scheme						-47	-47
Disposal of own shares				34			34
Share issue ,net					2,937		2,937
Comprehensive income			1			-2,488	-2,487
Equity Dec 31, 2022	1,359	21	-66	-406	2,943	-3,364	487
Stock option scheme						-59	-59
Comprehensive income			-1			-268	-269
Equity March 31, 2023	1,359	21	-67	-406	2,943	-3,691	159

## NOTES TO INTERIM FINANCIAL STATEMENTS

### ACCOUNTING PRINCIPLES

This report complies with the requirements of IAS 34 "Interim Financial Reporting".

In preparation of the consolidated interim report, company's 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-Mar, 2023	Jan-Mar, 2022	Jan-Dec, 2022
Increase in intangible assets:			
Acquisition cost Jan 1	14,217	12,846	12,846
Increase	275	304	1,371
Increase in tangible assets:			
Acquisition cost Jan 1	2,816	2,705	2,705
Increase	0	40	111

#### CHANGE IN INTEREST-BEARING LIABILITIES

EUR in thousands	Jan-Mar, 2023	Jan-Mar, 2022	Jan-Dec, 2022
Interest-bearing liabilities Jan 1	2,279	1,682	1,682
Proceeds from borrowings	1,500	800	597
Repayments	1,566	878	0
Interest-bearing liabilities Dec 31	2,213	1,604	2,279

#### PLEDGES AND COMMITMENTS

EUR in thousands	Jan-Mar, 2023	Jan-Mar, 2022	Dec 31, 2022	Change, %
Business mortgages (held by the Company)	2,382	2,386	2,382	0
Minimum lease payments based on lease agreements:				
Maturing in less than one year	42	22	47	-11
Maturing in 1-5 years	69	19	80	-13
Total	111	41	127	-13
Total pledges and commitments	2,493	2,426	2,509	-1

#### CONSOLIDATED INCOME STATEMENT BY QUARTER

EUR in thousands	Jan-Mar, 2023	Oct-Dec, 2022	Jul-Sep, 2022	Apr-Jun, 2022	Jan-Mar, 2022
Net sales	2,237	2,142	1,468	2,012	2,201
Other operating income	0	4	0	0	0

Materials and services	394	411	406	407	328
Employee benefit expenses	1,599	1,951	1,711	1,740	1,811
Other operating expenses	218	214	204	135	263
EBITDA	26	-430	-853	-270	-201
Depreciation and amortization	251	251	249	245	271
Operating result	-225	-681	-1,102	-515	-472
Financial income and expenses	-39	-32	-9	-11	-10
Provisions	-	-33	-	-	-
Result before tax	-264	-745	-1,111	-526	-483
Income taxes	-5	-3	-	-103	103
Result for the period	-269	-748	-1,111	-629	-380

#### GROUP KEY FIGURES

EUR in thousands, unless otherwise indicated	Jan-Mar or Mar 31, 2023	Jan-Mar or Mar 31, 2022	Jan-Dec or Dec 31, 2022
Net sales	2,237	2,201	7,823
Net sales growth, %	1.6	-24.2	-14.4
EBITDA	26	-201	-1,753
% of net sales	1.2	-9.1	-22.4
Operating result	-225	-472	-2,770
% of net sales	-10.1	-21.5	-35.4
Result before tax	-264	-483	-2,864
% of net sales	-11.8	-21.9	-36.6
Result for the period	-269	-380	-2,868
% of net sales	-12.0	-17.3	-36.7
Return on equity (per annum), %	-333.0	-631.4	-625.7
Return on investment (per annum), %	-47.9	-104.7	-120.3
Cash and cash equivalents	172	61	17
Net borrowings	2,041	1,542	2,262
Equity	159	51	487
Gearing, %	1285.1	3026.4	464.9
Equity ratio, %	3.6	1.4	7.4
Total balance sheet	5,853	5,002	7,442
Investments in non-current assets	270	344	2,324
% of net sales	12.1	16	29.7
Product development expenses	510	604	2,674

% of net sales	22.8	27	34.2
Average number of personnel	67	75	81
Personnel at the beginning of period	85	80	80
Personnel at the end of period	65	79	85
Earnings per share, EUR (basic and diluted)	-0.017	-0.032	-0.202
<u>Equity per share, EUR</u>	<u>0.010</u>	<u>0.004</u>	<u>0.030</u>

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