



QPR SOFTWARE
INTERIM REPORT
JANUARY-SEPTEMBER 2023

QPR Software Plc Interim Report January-September 2023

QPR SOFTWARE PLC

STOCK EXCHANGE RELEASE

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Q3 SaaS revenue increased by 33 %. Significant EBITDA improvement, operating result near zero. The Company is repositioning itself as a leading player in Digital Twin of an Organization (DTO).

FINANCIAL DEVELOPMENT BRIEFLY

JULY-SEPTEMBER 2023

- SaaS software business grew +33%
- Net sales amounted to EUR 1,806 thousand, increase of 23% (July-September 2022: 1,468)
- EBITDA was EUR 242 thousand (-853)
- Operating result (EBIT) amounted to EUR -12 thousand (-1,102)
- Result before taxes was EUR -37 thousand (-1,111)
- Result was EUR -37 thousand (-1,111)
- Earnings per share was EUR -0,002 (-0,069)

JANUARY-SEPTEMBER 2023

- SaaS software business grew +43% (January- September 2022: +29%)
- Net sales amounted to EUR 5,951 thousand, increase of 5% (January-September 2022: 5,650)
- EBITDA was EUR 275 thousand (-1,324)
- Operating result (EBIT) amounted to EUR -468 thousand (-2,090)
- Result before taxes was EUR -555 thousand (-2,119)
- Result was EUR -555 thousand (-2,119)
- Earnings per share was EUR -0,031 (-0,147)

NEW OUTLOOK FOR 2023 (Updated 16 October 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 will remain at the same level as in 2022 (2022: 7,823 thousand euros).

The company expects EBITDA to improve considerably and end up clearly positive in the 2023 financial year. EBITDA in 2022 was –1,753 thousand euros.

PREVIOUS 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:

“The third quarter of the year was successful for QPR in many ways. This can be seen in the company's Q3's clear net sales increase of 23 %. SaaS (Software as a service) revenue continued to increase by +33 %. Also, EBITDA was clearly positive: EUR 242 thousand and improved significantly from last year and the previous quarter above our expectations. Because of this, we gave on 16 October a new outlook for the whole year.

The growth of the third quarter is the result of successes, especially in the Middle East market. The most significant of these was the first process mining SaaS contract in the Middle East. The customer is an advanced investment and financial company that is committed to supporting its customers' financial objectives and promoting the economic growth and development of the area. The company succeeded in closing the previous year's sold Middle East fixed-price software delivery projects, which had prolonged negative impact on the company's business and profitability. We believe that the Middle East will provide us with significant opportunities to continue our growth and add value to our customers.

The general uncertainty of the global economy has continued, and the acquisition of new customers has been slower than expected, while simultaneously the companies' investment decision-making time has increased. Supported by the current contract base and 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 is at the same level as in the comparison period. The company's measures to improve its operations, cost structure and business profitability have produced significant results, and we expect the EBITDA to improve considerably to be clearly positive in the financial year 2023.

In July-August, we implemented a directed share issue, which main purpose was to strengthen the company's capital and financial position. As a result of the share issue, we raised net proceedings of around € 700,000. I am pleased with the result of the directed share issue and would warmly want to thank the investors for their support and confidence in QPR's vision, strategy, leadership and future. A successful share issue brought expected improvement to the company's capital and financial position and gives us the opportunity to focus on implementing our strategic plans.

At the beginning of September, we announced that the company is repositioning itself as a leading player in Digital Twin of An Organization (DTO). The QPR DTO solution enables the creation of a digital copy of the company's entire business, storing its various areas, processes and data. This provides organizations with a completely new opportunity to design, analyze, and lead their complex business initiatives and make intelligent, data-based decisions.

Repositioning is an integral part of the company's journey of change. We develop our product range, improve our service offering, and strengthen our partnerships to ensure that our customers have access to the most advanced software products on the market. QPR is the only player in the market that has all the different aspects of the Digital Twin of An Organization; process mining, modelling, and strategy and digital transformation management. QPR supplies different modules individually or together. We also provide consulting for all these areas.

One of the key objectives of the company in the second half of the year has been, in addition to the growth in software sales and profitability, to strengthen the ecosystem to better serve the overall needs of our customers. I think we have done well here. I believe that our ability to find like-minded partners who share our commitment to excellence, innovation and customer-oriented solutions, not only expands our foothold in the market, but also rises an ecosystem that is the basis for long-term growth and sustainability.

Our medium-term goals are to find partners also for the US market. QPR ProcessAnalyzer is globally the only software that operates natively at Snowflake Data Cloud. This means solving problems related to performance, scaling and security. The majority of Snowflake's customers are in the US market. QPR has initiated activities regarding the market perception of the partner network during the third quarter of the year.

Yesterday, we published inside information, where we informed about the company's plan to start change negotiations. The background of the change negotiations is the repositioning of the company as a leading player in Digital Twin of an Organization (DTO) technology and the optimization of the company's organization in line with this goal. In addition, some of the consulting projects in the domestic public sector outside the core business have ended prematurely or they are realized smaller than their original scope. This will reduce the net sales at the end of the year, and the company's net sales for the whole fiscal year will remain at the level of the previous year. Change negotiations are a necessary step to ensure that the company's structure and operations correspond to the change in business focus and the company's long-term vision and goals.

I would like to warmly thank our customers, partners and shareholders for their confidence in QPR during the third quarter of the year. I also want 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	July-Sept, 2023	July-Sept, 2022	Change, %	Jan-Sept, 2023	Jan-Sept, 2022	Change, %	Jan-Dec, 2022
Net sales	1,806	1,468	23	5,951	5,680	5	7,823

EBITDA	242	-853	128	275	-1,324	121	-1,753
% of net sales	13.4	-58.1		4.6	-23.3		-22
Operating result	-12	-1,102	99	-468	-2,090	78	-2,770
% of net sales	-0.7	-75.1		-7.9	-36.8		-35
Result before tax	-37	-1,111	97	-555	-2,119	74	-2,864
Result for the period	-37	-1,111	97	-555	-2,119	74	-2,868
% of net sales	-2.0	-75.7		-9.3	-37.3		-37
Earnings per share, EUR (basic and diluted)	-0.002	-0.069	97	-0.031	-0.147	79	-0.202
Equity per share, EUR	0.035	0.079	-56	0.036	0.144	-75	0.030
Cash flow from operating activities	-640	-1,419	55	20	-2,042	101	-1,798
Cash and cash equivalents	181	36	406	181	36	406	17
Net borrowings	1,639	1,504	9	1,639	1,504	9	2,262
Gearing, %	257.2	115.8	122	257.2	115.8	122	465
Equity ratio, %	13.7	27.7	-51	13.7	27.7	-51	7
Return on equity, %	-49.7	-326.9	85	-394.8	-326.9	-21	-626
Return on investment, %	-11.6	-115.8	90	-98.3	-115.8	15	-120

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. Russian numbers are reported as part of comparison year.

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	July-Sept, 2023	July-Sept, 2022	Change, %	Jan-Sept, 2023	Jan-Sept, 2022	Change, %	Jan-Dec, 2022
Software licenses	174	56	208	383	357	7	560
Renewable software licenses*	78	80	-3	453	509	-11	583
Software maintenance services*	428	452	-5	1,272	1,386	-8	1,803
SaaS	585	441	33	1,754	1,227	43	1,738
Consulting	541	438	24	2,089	2,200	-5	3,139
Total	1,806	1,468	23	5,951	5,680	5	7,823

*Jan-Sept, 2022 categorization between renewable license and software maintenance revenue has been adjusted with 2023 reporting policy (reported in Jan-Sept, 2022: renewable software licenses: 631, software maintenance services:1265)

NET SALES BY GEOGRAPHIC AREA

EUR in thousands	July-Sept, 2023	July-Sept, 2022	Change, %	Jan-Sept, 2023	Jan-Sept, 2022	Change, %	Jan-Dec, 2022
Finland	793	920	-14	2,799	3,037	-8	4,126
Europe incl. Turkey	702	530	32	2,398	1,868	28	2,745
Rest of the world	310	18	1618	754	775	-3	953
Total	1,806	1,468	23	5,951	5,680	5	7,823

JULY-SEPTEMBER 2023

The net sales July-September was EUR 1,806 thousand (EUR 1,468) and increased by 23 % compared to the comparison period. Recurring revenue accounted for 60 % of the total net sales (66).

The net sales of software licenses was 174 thousand euros (56), and it grew by 208%, mainly due to the license agreement in the Middle East.

The net sales of renewable software licenses was 78 thousand euros (80), decreasing -3% from the combined effect of the termination of individual customer contracts, the transition to the SaaS-service model, and new contracts and price increases.

The net sales of software maintenance services was 428 thousand euros (452), and it decreased by 5%, partly due to customer churn, negative exchange rate changes and the current customers transition to the SaaS-service model, which in turn were compensated by the expansion of collaboration with existing customers, new customers, and price increases against inflation pressure.

SaaS net sales grew by 33%, to 585 thousand euros (441). The increase in revenue from SaaS-services was a result not only of the company's announcement in December 2022 of expanding the use of QPR ProcessAnalyzer's SaaS solution with a global pharmaceutical company, but also of the company's other successes in expanding collaboration with existing customers. The growth was also partly due to customers transitioning from licenses to the SaaS-service model, and partly due to the company's price increases caused by inflation pressure.

The net sales of consulting was 541 thousand euros (438), and it increased by 24% mainly due to the reversal of the revenue recognition recorded during the third quarter of the reference year 2022 related to the net sales of the fixed-price project in the Middle East. The fixed-price projects in the Middle East have been completed during the second quarter.

The Group's net sales was 49% (48) from Finland, 40% (33) from the rest of Europe (including Turkey) and 11% (20) from the rest of the world.

JANUARY-SEPTEMBER 2023

The net sales for January-September was 5,951 thousand euros (5,680), and it increased by 5% from the comparison period. The share of recurring revenue in net sales was 58% (55).

The net sales of software licenses was 383 thousand euros, and it grew by 7%. This was mainly the result of higher license sales in Europe and the Middle East, which in turn was reduced by the expiration of fixed-term license agreements and the transition to a SaaS-service agreement model.

The net sales of renewable software licenses was 453 thousand euros, and it decreased by 11%. This is the result of the end of the business of an individual customer due to the war of aggression in Ukraine started by Russia, individual other customer exits, and the transition of existing customers to the SaaS service model. Price increases against inflation pressure partially eliminate the effects of the decline in net sales.

The net sales of software maintenance services was 1,272 thousand euros, and it decreased by 8% compared to the comparison period. Net sales decreased due to customers transitioning to the SaaS-service model, the negative impact of the exchange rate, and the termination of service contracts for individual customers. The increase in net sales was influenced by the expansion of existing customer contracts and the acquisition of new customers.

The net sales of SaaS-services was 1,754 thousand euros, and it was 43% higher compared to the comparison period. The increase in revenue from SaaS services was a result not only of the expansion of the use of QPR ProcessAnalyzer's SaaS solution with a global pharmaceutical company announced by the company in December 2022, but also because of the company's other successes in expanding collaboration with existing customers, as well as new customer acquisition. The growth

was also partly due to customers switching from licenses to the SaaS-service model, and partly due to the company's price increases against inflation pressure.

The net sales of consulting was 2,089 thousand euros (2,200), and it decreased by 5% mainly due to the higher revenue recognition of fixed-price projects in the Middle East recorded during the comparison period and the higher consulting revenue of the public sector, which in turn were compensated by the increased product-related consulting revenue of the private sector during the reporting period. The fixed-price projects in the Middle East have been completed during the second quarter of 2023.

The Group's net sales was 49% (48) from Finland, 40% (33) from the rest of Europe (including Turkey) and 11% (20) from the rest of the world.

FINANCIAL DEVELOPMENT

JULY-SEPTEMBER 2023

The group's EBITDA increased in July-September and was 242 thousand euros (-853) and the operating profit was -12 thousand euros (-1,102). The result for the period was -37 thousand euros (-1,111). Although the company's result was still loss-making, compared to the comparison period, it has developed significantly thanks to the measures that the company actively took to improve the efficiency of operations, improve the cost structure and business profitability.

The group's variable costs were 147 thousand euros (406). Expenses decreased mainly due to the fact the challenging software delivery projects in the Middle East were completed during the second quarter of the year. The need for the use of external services also decreased accordingly.

The company's fixed costs were 1,671 thousand euros (2,164), and they decreased by 23% compared to the comparison period. This was the result of the savings programs implemented in the last quarter of 2022 and the second quarter of 2023, as well as the personnel reductions made as a result of change negotiations. The effect of these was partially reduced by lower R&D activations.

The liquidation of the credit loss provision, which is included in the fixed costs of the third quarter, was 1 thousand euros (Q3'22: liquidation 2).

The result before taxes was -37 thousand euros (-1,111), and the result for the review period was -37 thousand euros (-1,111). Earnings per share were EUR -0.02 (-0.069) per share.

JANUARY-SEPTEMBER 2023

The group's EBITDA was positive in January-September and was 275 thousand euros (-1,324). The company's operating profit was still negative at -468 thousand euros, but it improved significantly compared to the comparison period (-2,090) thanks to the measures that the company actively took to improve the efficiency of operations, improve the cost structure and business profitability.

The group's variable costs were 762 thousand euros (1,141), and they decreased by 33% compared to the comparison period. Costs decreased mainly due to the fact the challenging software delivery

projects in the Middle East were completed during the second quarter of the year. The need for the use of external services also decreased accordingly.

The group's fixed costs were 5,658 thousand euros (6,629), i.e., 15% lower than the comparison period due to the personnel reductions and savings implemented in the last quarter of 2022 and the second quarter of 2023. Lower R&D activations partially reduced the effects.

The reversal of the credit loss provision, which is included in the fixed costs of the half-year period, was one (1) thousand euros (January-September 2022: 0).

The result before taxes was -555 thousand euros (-2,119) and the result for the review period was -555 euros (-2,119). Earnings per share were EUR -0.031 (-0.147) per share.

FINANCE AND INVESTMENTS

Cash flow from operations in the review period January-September was 20 thousand euros (-2,042). The change in operating cash flow compared to the comparison period 2022 was the result of a significant improvement in the result of the review period of 1,565 thousand euros and 608 thousand euros in working capital changes.

Trade and other receivables were EUR 429 thousand lower compared to the comparison period due to enhanced collection of trade receivables and invoicing of completed projects in the Middle East.

Net financing costs were 87 thousand euros (30), and they included exchange rate losses of 12 thousand euros (7).

The investments were 511 thousand euros (1,164), and they were product development investments.

The net cash flow of the financing was 656 thousand euros, consisting mainly of 703 thousand euros from the company's directed share issue, as well as rent payments for the company's premises. In the comparison period 2022, the net cash flow of the company's financing was 2,880 thousand euros, which was mainly the result of the company's implemented rights issue.

The financial situation of the group is fair. At the end of the review period, the group's cash and cash equivalents were 181 thousand euros (36) and short-term receivables were 2,077 thousand euros (2,361). 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 a bank loan, of which EUR 1.0 million was long-term and EUR 500 thousand was short-term. Covenants are attached to the loan, which is based on the company's EBITDA and equity ratio. Regarding the covenants, the EBITDA is tested every six months, and the equity ratio is tested annually according to the situation on the last day of the year. EBITDA for the first half of the year exceeded the limit defined by the covenants.

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 was 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 withdrew the loan during the first quarter of the year.

Net debt in relation to equity (gearing) was 257,2% (115,8%) and the equity ratio at the end of the review period was 13,7% (27.7%). 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 for the company's head office premises concluded in the last quarter of 2022, where the monthly rental costs were significantly lower. The company entered into a new lease at the end of June 2023 due to the extensive water damage that occurred in the premises of its Helsinki head office. The lease term of the premises under renovation was shortened by about two years, and as the rent for the temporary bypass space was lower, the total rental debt and right-of-use assets decreased significantly.

With the new lease agreement, the total lease term of the company's head office will be shortened, and it will reduce the company's lease debt. The new, smaller, and more affordable temporary offices will also reduce the right-of-use assets.

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 third quarter of the year, product development expenses were EUR 248 thousand (710). R&D expenses worth EUR 80 thousand (364) were capitalized. The amortization of capitalized R&D expenses was EUR 220 thousand (249).

The amortization period for capitalized R&D expenses is four years.

PERSONNEL

At the end of the review period, the Group employed a total of 52 people (88). The average number of personnel during January-September was 60 (78). The number of personnel has decreased as a result of change negotiations that ended in the last quarter of 2022 and the second quarter of 2023.

The average age of employees was 47 (44) years. Women account for 23% (25) of employees, and men for 76% (75). Of all the personnel, 16% (17) work in sales and marketing, 40% (45) in consulting and customer service, 33% (30) in product development and 11% (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 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-Sept, 2023	Jan-Sept, 2022	Change, %	Jan-Dec, 2022
Shares traded, pcs	1,729,586	1,671,546	3	2,263,135
Volume, EUR	898,702	1,980,554	-55	2,315,155
% of shares	9.7	10.4	-7	14.1
Average trading price, EUR	0.52	1.18	-56	1.02

Average trading value per day, EUR	3,566	7,859	-55	9,187
Treasury shares acquired during the year, pcs	0	0	0	0
Shares and market capitalization	Sept 30, 2023	Sept 30, 2022	Change, %	Dec 31, 2022
Total number of shares, pcs	18,175,192	16,455,321	10	16,455,321
Treasury shares, pcs	339,471	413,487	-18	413,487
Book counter value, EUR	0.11	0.11	-	0.11
Outstanding shares, pcs	17,835,721	16,041,834	11	16,041,834
Number of shareholders	1,863	1,705	9	1,747
Closing price, EUR	0.39	0.55	-29	0.56
Market capitalization, EUR	6,938,095	8,823,009	-21	8,983,427
Book counter value of all treasury shares, EUR	37,342	45,484	-18	45,484
Total purchase value of all treasury shares, EUR	347,552	405,726	-14	405,726
Treasury shares, % of all shares	1.9	2.5	-26	2.5

GOVERNANCE

The Annual General Meeting of QPR Software Plc was held May 3, 2023 in Helsinki. The Annual General Meeting adopted the Company's financial statements for the financial year 2022 and discharged the members of the Board of Directors and the CEO from liability. The Annual General Meeting resolved that no dividend be paid based on the balance sheet adopted for the financial year ended on December 31, 2022, further adopted the Company's Remuneration Report, and resolved to amend the Company's Articles of Association. Further, the Annual General Meeting resolved to reduce the share capital of the Company, to authorize the Board of Directors to decide on share issues and on the issue of other special rights entitling to shares as well as on the acquisition of own shares.

Annual accounts and the use of the profit shown on the balance sheet

The Annual General Meeting adopted the Company's financial statements and discharged the members of the Board of Directors and the CEO from liability for the financial period January 1 – December 31, 2022. The Annual General Meeting resolved that no dividend be paid based on the balance sheet adopted for the financial year ended on December 31, 2022.

Remuneration of the members of the Board of Directors and the Auditor

The Annual General Meeting resolved that the Chairman of the Board of Directors be paid EUR 45,000 per year and the other members of the Board of Directors EUR 25,000 per year. Approximately 40 percent of the remuneration will be paid in shares and 60 percent in cash. The shares will be granted as soon as possible after the Annual General Meeting and if the insider regulations allow it. The members of the Board of Directors will also be reimbursed for travel and other expenses incurred while they are managing the Company's affairs.

The remuneration to the Auditor shall be paid according to the reasonable invoice.

Board of Directors and Auditor

The Annual General Meeting confirmed that the number of Board members is four. Pertti Ervi was re-elected as the Chairman of the Board of Directors and Matti Heikkonen, Antti Koskela, and Jukka Tapaninen were re-elected as members of the Board of Directors.

The Authorised Public Accountants KPMG Oy Ab was re-elected as the Company's auditor. KPMG Oy Ab has announced that Petri Kettunen, Authorized Public Accountant, will act as the principal auditor.

Amendment of the Articles of Association

The Annual General Meeting resolved to amend Articles 6 and 9 of the Company's Articles of Association. Article 6 was amended to correspond to the responsibility for the auditor oversight stipulated in the amended Finnish Auditing Act (1141/2015) and further so that the term of the auditor shall end at the closing of the first Annual General Meeting following the election. Article 9 was amended to enable holding a general meeting entirely without a meeting venue as a so-called remote meeting in addition to the Helsinki, Espoo and Vantaa. Further, said article was amended due to certain legislation changes stipulating the matters to be resolved upon in an Annual General Meeting.

Reduction of the share capital

The Annual General Meeting resolved to reduce the Company's registered share capital from EUR 1,359,090 to EUR 80,000, i.e. by an aggregate amount of EUR 1,279,090, with the reduced amount of EUR 1,279,090 being transferred to the reserve for invested unrestricted shareholders' equity. The reduction of the share capital requires a public notice in accordance with the Finnish Companies Act.

Authorization of the Board of Directors to decide on share issues and on the issue of other special rights entitling to shares

The Annual General Meeting resolved to authorize the Board of Directors to decide on issuances of new shares and conveyances of the own shares held by the Company (share issue) either in one or more instalments. The share issues can be carried out against payment or without consideration on terms to be determined by the Board of Directors. The authorization also includes the right to issue special rights referred to in Chapter 10, Section 1 of the Finnish Companies Act, which entitle to the Company's new shares or own shares held by the Company against consideration. Based on the authorization, the maximum number of new shares that may be issued and own shares held by the Company that may be conveyed in share issues or on the basis of special rights referred to in Chapter 10, Section 1 of the Finnish Companies Act is 3,200,000 shares. The authorization includes the right to deviate from the shareholders' pre-emptive subscription right. The authorization is in force until the next Annual General Meeting.

Authorization of the Board of Directors to decide the acquisition of own shares

The Annual General Meeting resolved to authorize the Board of Directors to decide on the acquisition of the Company's own shares. Based on the authorization, an aggregate maximum amount of 500,000 own shares may be acquired, either in one or more instalments. The authorization includes the right to acquire own shares otherwise than in proportion to the existing shareholdings of the Company's shareholders, using the Company's non-restricted shareholders' equity. The authorization is in force until the next Annual General Meeting.

All related materials can be found in the Investors section on the company's website.

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 79% of the Group's trade receivables were in euros at the end of the quarter (70%). At the end of the quarter, the Company had not hedged its non-euro trade receivables.

SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD

Renewal of the financing agreement

During the first quarter of the fiscal year 2023, the company renewed its 1.5-million-euro financing agreement with Nordea from short-term to long-term.

Amendment of the articles of association

The decisions of the general meeting and changes to the articles of association have been registered in the trade register on May 25, 2023.

Reduction of share capital

In the third quarter of the fiscal year, the company reduced its parent company's share capital to 80,000 euros. The share capital reduction has been registered in the trade register on 14 September 2023.

Directed share issue

The company organized a directed share issue in July-August 2023, aiming to raise funding to cover business losses and strengthen the financial position, as well as to develop a profitable business and implement the strategy. In the directed offering, 1,719,871 shares were subscribed at a price of EUR 0.463 and the company collected EUR 786 thousand of new capital from the current shareholders. A successful share issue was important in strengthening the company's financial position.

Flaggings

On 23 August 2023, QPR Software Plc received a notification from AC Invest Oy pursuant to Chapter 9, Section 5 of the Securities Markets Act (AML), according to which its direct share ownership of QPR Software Oyj's total number of shares and votes has decreased under (5) percent.

On 23 August 2023, QPR Software Oyj received a notification from Vesa-Pekka Leskinen pursuant to Chapter 9, Section 5 of the Securities Markets Act (AML), according to which his direct share ownership of QPR Software Oyj's total number of shares and votes has decreased under ten (10) percent.

On 23 August 2023, QPR Software Oyj received a notification from Oy Fincorp Ab pursuant to Chapter 9, Section 5 of the Securities Markets Act (AML), according to which its direct share ownership of QPR Software Oyj's total number of shares and votes has increased to more than twenty (20) percent.

The Board of Directors published a new option program

On September 6, 2023, the company announced that the company's board of directors has decided on a new stock option program on September 6, 2023, based on the authorization given by the company's annual general meeting on May 3, 2023, where the key personnel of the company and its subsidiaries can receive stock options entitling them to subscribe to the company's shares.

A maximum of 1,000,000 stock options were issued, and they entitle their holders to subscribe for a maximum of 1,000,000 new or existing Company Shares. The Board of Directors decides whether the subscriber will be given new or the Company's own Shares. Option rights are granted free of charge. All 1,000,000 Warrants are marked with the code 2023. The terms of the stock options are available on the company's website in the Investors section.

The stock exchange releases related to the option program can be read on the company's website in the Investors/Stock market and press releases section.

Changes in the company's management

The company's CEO Jussi Vasama left his position and Heikki Veijola started as CEO on March 1, 2023. The director of the consulting business, Samuel Rinnetmäki, moved outside the company and Teemu Lehto became a member of the management team as the new director responsible for the consulting business on March 1, 2023.

The company announced on June 27, 2023, that QPR Software Oyj and Chief Revenue Officer Eric Allart have agreed that Allart will leave his position in the company. Allart's work obligation in the company ended immediately. CEO Heikki Veijola is currently serving as the company's interim Chief Revenue Officer.

Also, Director, People & Culture Johanna Lähde has also left the company during the second quarter of the year.

Change negotiations

In the second quarter of the fiscal year 2023, the company started change negotiations in order to improve the profitability of the business and to enhance the implementation of the company's strategy. As a result of the change negotiations, 7 people were dismissed from the company and about 39 people were laid off part-time or full-time.

EVENTS AFTER THE REVIEW PERIOD

Profit warning 16 October 2023

On 16 October 19, 2023, the company gave a profit warning saying that it expects its EBITDA to become clearly positive in 2023. According to previous guidance, the company expected its EBITDA to improve significantly and reach the break-even point in the financial year 2023. The improvement in profitability beyond expectations has been influenced by the significant cost-saving measures taken and the focus of sales on the more profitable SaaS and software business as well as on consulting in these priority areas.

As part of the profit warning the company stated that some of the consulting projects in the domestic public sector outside the core business have ended prematurely or they are occurring on a smaller scope than originally expected. This will reduce the net sales at the end of the year, and the company's net sales for the whole fiscal year will remain at the level of the previous year, while the growing software business compensates for the decrease. The company's SaaS net sales is expected to continue to grow by more than 35% from last year, and business activities outside of consulting will grow as a whole.

Change negotiations notice 19 October 2023

On 19 October 2023, QPR Software Plc announced that it will submit a negotiation proposal per the Act on Cooperation to start the change negotiations. The company has previously announced that as part of its strategy, it is re-positioning itself even more strongly as a software and SaaS player and as a consultant for its core business areas as well as a leading player in Digital Twin of an Organization (DTO) technology.

In change negotiations, the company deals with measures aimed at adapting the company's operation, structure, and related personnel costs to reflect the change in business focus and the company's long-term vision and goals.

The scope of the negotiations includes the personnel of the company's consulting business unit, in all offices, a total of 14 people.

According to preliminary estimates, the measures that may be implemented after the change negotiations could lead to temporary layoffs of the personnel of the consulting business unit for a maximum of 90 days and, in addition, to the termination of a maximum of nine (9) positions.

The negotiations will start on 26 October 2023 and last two (2) weeks following the Act on Cooperation.

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.

www.qpr.com**DISTRIBUTION**

Nasdaq Helsinki

Key medias

www.qpr.com**FINANCIAL STATEMENT INFORMATION****CONSOLIDATED COMPREHENSIVE INCOME STATEMENT**

EUR in thousands, unless otherwise indicated	July-Sept, 2023	July-Sept, 2022	Change, %	Jan-Sept, 2023	Jan-Sept, 2022	Change, %	Jan-Dec, 2022
Net sales	1,806	1,468	23	5,951	5,680	5	7,823
Other operating income	1	0	-	1	0	-	4
Materials and services	147	406	-64	762	1,141	-33	1,552
Employee benefit expenses	1,056	1,711	-38	4,023	5,262	-24	7,214
Other operating expenses	361	204	77	892	601	48	814
EBITDA	242	-853	128	275	-1,324	121	-1,753

Depreciation and amortization	254	249	2	743	766	-3	1,017
Operating result	-12	-1,102	99	-468	-2,090	78	-2,770
Financial income and expenses	-25	-9	185	-87	-30	191	-62
Provisions	-	-	-	-	-	-	-33
Result before tax	-37	-1,111	97	-555	-2,119	74	-2,864
Income taxes	-	0	-	-	0	-	-3
Result for the period	-37	-1,111	97	-555	-2,119	74	-2,868
Earnings per share, EUR (basic and diluted)	-0.002	-0.069	97	-0.031	-0.147	79	-0.202
Consolidated statement of comprehensive income:							
Result for the period	-37	-1,111	97	-555	-2,119	74	-2,868
Exchange differences on translating foreign operations	0	0	-	1	1	-25	-2
Total comprehensive income	-37	-1,110	97	-554	-2,118	74	-2,870

CONDENSED CONSOLIDATED BALANCE SHEET

EUR in thousands	Sept 30, 2023	Sept 30, 2022	Change, %	Dec 31, 2022
Assets				
Non-current assets:				
Intangible assets	2,357	2,268	4	2,411
Goodwill	358	358	0	358
Tangible assets	95	198	-52	171
Right-of-use assets	320	5	5917	756
Other non-current assets	277	280	-1	277
Total non-current assets	3,407	3,110	10	3,973
Current assets:				
Trade and other receivables	1,896	2,325	-18	3,452
Cash and cash equivalents	181	36	406	17
Total current assets	2,077	2,361	-12	3,469
Total assets	5,484	5,470	0	7,442
Equity and liabilities				
Equity:				
Share capital	80	1,359	-94	1,359
Other funds	21	21	0	21

Treasury shares	-348	-406	-14	-406
Translation differences	-67	-66	-2	-66
Invested non-restricted equity fund	4,925	2,943	67	2,943
Retained earnings	-3,974	-2,552	-56	-3,364
Equity attributable to shareholders of the parent company	637	1,299	-51	487
Non-current liabilities:				
Interest-bearing liabilities	1,000	-	-	-
Interest-bearing lease liabilities	209	-	-	609
Total non-current liabilities	1,209	-	-	609
Current liabilities:				
Provisions	-	-	-	33
Interest-bearing liabilities	500	1,500	-67	1,521
Interest-bearing lease liabilities	110	40	178	149
Advances received	841	786	7	885
Accrued expenses and prepaid income	1,496	1,490	0	2,598
Trade and other payables	690	355	94	1,161
Total current liabilities	3,638	4,171	-13	6,346
Total liabilities	4,847	4,171	16	6,955
Total equity and liabilities	5,484	5,470	0	7,442

CONSOLIDATED CONDENCED CASH FLOW STATEMENT

EUR in thousands	July- Sept, 2023	July- Sept, 2022	Change, %	Jan- Sept, 2023	Jan- Sept, 2022	Change, %	Jan- Dec, 2022
Cash flow from operating activities:							
Result for the period	-37	-1,111	97	-555	-2,119	74	-2,868
Adjustments to the result	264	252	5	745	768	-3	874
Working capital changes	-791	-553	-43	-54	-662	92	307
Interest and other financial expenses paid	-74	-8	881	-104	-29	264	-58
Interest and other financial income received	0	0	-	0	0	-	0
Income taxes paid	-2	0	-	-11	0	-	-21
Net cash from operating activities	-640	-1,419	55	20	-2,042	101	-1,765
Cash flow from investing activities:							
Purchases of tangible and intangible assets	-80	-429	-81	-512	-1,164	-56	-1,355
Net cash used in investing activities	-80	-429	-81	-512	-1,164	-56	-1,355
Cash flow from financing activities:							

Proceeds from short term borrowings	-	800	-	1,500	1,600	-	1,521
Repayments of short term borrowings	-	-800	-	-1,500	-1,600	-	-1,500
Payment of lease liabilities	-15	-49	-70	-103	-183	-44	-266
Sales of own shares	-	-	-	-	34	-	-
Share issue net	760	16	-	760	2,948	-	2,937
Net cash used in financing activities	745	-33	-2,347	656	2,798	-77	2,692
Net change in cash and cash equivalents	26	-1,882	-101	164	-408	-140	-427
Cash and cash equivalents at the beginning of the period	156	1,918	-92	17	441	-96	441
Effects of exchange rate changes on cash and cash equivalents	0	0	-18	0	2	-94	3
Cash and cash equivalents at the end of the period	181	36	406	181	36	406	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 Jan 1, 2022	1,359	21	-68	-439	5	-448	430
Stock option scheme						5	5
Disposal of own shares				34			34
Share issue ,net					2,937		2,937
Exchange rate differences in equity of foreign operations						12	12
Comprehensive income			1			-2,120	-2,119
Equity Sept 30, 2022	1,359	21	-67	-406	2,943	-2,551	1,299
Stock option scheme						-52	-52
Exchange rate differences in equity of foreign operations						-12	-12
Comprehensive income			1			-749	-748
Equity Dec 31, 2022	1,359	21	-66	-406	2,943	-3,364	487
Stock option scheme						-45	-45
Reduction of share capital	-1,279				1,279		0
Disposal of own shares				58		-10	48
Share issue ,net					703		703
Comprehensive income			-1			-554	-555

Equity Sept 30, 2023	80	21	-67	-348	4,925	-3,974	637
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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-Sept, 2023	Jan-Sept, 2022	Jan-Dec, 2022
Increase in intangible assets:			
Acquisition cost Jan 1	14,217	12,846	12,846
Increase	512	1,055	1,371
Increase in tangible assets:			
Acquisition cost Jan 1	2,816	2,705	2,705
Increase	0	108	111

CHANGE IN INTEREST-BEARING LIABILITIES

EUR in thousands	Jan-Sept, 2023	Jan-Sept, 2022	Jan-Dec, 2022
Interest-bearing liabilities Jan 1	2,279	1,682	1,682
Proceeds from borrowings	1,500	1,600	597
IFRS 16	-335	-	-
Repayments	1,623	1,741	-
Interest-bearing liabilities Dec 31	1,820	1,540	2,279

PLEDGES AND COMMITMENTS

EUR in thousands	Jan-Sept, 2023	Jan-Sept, 2022	Dec 31, 2022	Change, %
Business mortgages (held by the Company)	2,381	2,383	2,382	0
Minimum lease payments based on lease agreements:				
Maturing in less than one year	30	18	47	-36
Maturing in 1-5 years	34	11	80	-57
Total	65	29	127	-49
Total pledges and commitments	2,445	2,412	2,509	-3

CONSOLIDATED INCOME STATEMENT BY QUARTER

EUR in thousands	July-Sept, 2023	April-June, 2023	Jan-Mar, 2023	Oct-Dec, 2022	Jul-Sep, 2022
Net sales	1,806	1,908	2,237	2,142	1,468
Other operating income	1	1	-	4	-
Materials and services	147	221	394	411	406
Employee benefit expenses	1,056	1,368	1,599	1,951	1,711
Other operating expenses	361	313	218	214	204
EBITDA	242	7	26	-430	-853
Depreciation and amortization	254	238	251	251	249
Operating result	-12	-231	-225	-681	-1,102
Financial income and expenses	-25	-23	-39	-32	-9
Provisions	-	-	-	-33	-
Result before tax	-37	-254	-264	-745	-1,111
Income taxes	-	5	-5	-3	-
Result for the period	-37	-249	-269	-748	-1,111

GROUP KEY FIGURES

EUR in thousands, unless otherwise indicated	Jan-Sept or Sept 30, 2023	Jan-Sept or Sept 30, 2022	Jan-Dec or Dec 31, 2022
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Net sales	5,951	5,680	7,823
Net sales growth, %	4.8	-19.8	-14.4
EBITDA	275	-1,324	-1,753
% of net sales	4.6	-23.3	-22.4
Operating result	-468	-2,090	-2,770
% of net sales	-7.9	-36.8	-35.4
Result before tax	-555	-2,119	-2,864
% of net sales	-9.3	-37.3	-36.6
Result for the period	-555	-2,119	-2,868
% of net sales	-9.3	-37.3	-36.7
Return on equity (per annum), %	-394.8	-326.9	-625.7
Return on investment (per annum), %	-98.3	-115.8	-120.3
Cash and cash equivalents	181	36	17
Net borrowings	1,639	1,504	2,262
Equity	487	1,299	487
Gearing, %	257	115.8	464.9
Equity ratio, %	13.7	27.7	7.4
Total balance sheet	5,484	5,470	7,442
Investments in non-current assets *	511	1207	2,324
% of net sales	8.6	21	29.7
Product development expenses	1,113	2,141	2,674
% of net sales	18.7	38	34.2
Average number of personnel	60	78	81
Personnel at the beginning of period	85	80	80
Personnel at the end of period	52	88	85
Earnings per share, EUR (basic and diluted)	-0.034	-0.147	-0.202
Equity per share, EUR	0.036	0.081	0.030

*adjustment for the previous reporting periods