QPR SOFTWARE

ANNUAL REPORT

2019

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YEAR 2019 KEY EVENTS

Q1

- QPR signed an agreement on delivering QPR ProcessAnalyzer software to a leading telecommunications operator active in one of the largest telecommunication markets in Europe.
- QPR signed a new significant software deal with a global technology leader that employs approximately 100 000 people all over the world.

Q2

- QPR won the tender for information architecture consulting provider for the Finnish Transport and Communications Agency Traficom. QPR supports Traficom in defining, supporting, producing and planning its information architecture work.
- The Finnish Ministry of Finance chose QPR to support Ministry of Finance in developing, introducing and training Lean methodology.
- QPR signed an agreement to deliver QPR ProcessAnalyzer software as a cloud service to a leading European airline.
- QPR signed an agreement to deliver additional QPR EnterpriseArchitect software licenses to an existing customer, which is a large Eastern European telecommunications operator.

Q3

- QPR signed an agreement to deliver QPR ProcessAnalyzer software as a cloud service to a leading European bank.
- QPR signed an agreement to deliver QPR ProcessAnalyzer software to a large public utility company in Asia.

Q4

- QPR signed an agreement to deliver QPR ProcessAnalyzer software to a globally leading healthcare solutions provider.
- The Finnish Tax Administration selected QPR as the primary framework supplier to support defining and development of new services and information systems.
- The Finnish Public Procurement Company KL-Kuntahankinnat selected QPR as a Framework Supplier for the Service Area ICT Expert Services.
- QPR delivers Strategy and Performance Management software to Saudi Customs, responsible for collecting tariffs and for controlling the flow of goods in Saudi Arabia.
- QPR was selected to deliver strategy management solution to a large central government organization from the Middle East that will use the solution to automate strategy and performance management throughout central government.

OUR MISSION, STRATEGY AND MARKETS

QPR Software´s mission is to make customers agile and efficient in their operations.

Our values are reliability, respect and long-term success together. They define our operating culture and thus create the foundation for our future success and growth.

We innovate, develop and sell software for analyzing, monitoring and modeling organizational operations. Furthermore, we offer customers consulting services in operational development and digital business optimization.

In our product development we focus on meeting the challenges our client organizations face, especially in leading and optimizing their operations in a digitalizing world. Our primary focus areas are process mining and analytics.

We will further accelerate product development by increasing our resources in a controlled manner. In software development, we place special focus on excellent user experience.

We also actively seek strategic partnerships to strengthen our international software sales and product development.

STRATEGIC TARGETS

Our target is to grow our net sales by an average of 15 - 20% per annum over the next three years. The target is mainly based on growth in international software sales.

We foresee significant growth potential especially in the process mining and analytics business, where we aim for an annual growth of more than 50%. Over the next few years, we seek growth especially in our international software sales.

OUR OFFERING

We offer our customers tools for modeling, measuring and analyzing their operations. Our tools provide customers insight into their operations, enabling them to streamline and improve their business operations.

In our home market, Finland, we sell and deliver software and provide consulting services directly to our customers. In process and enterprise architecture modeling software, we are the local market leader with approximately 50% market share.

In process mining, we are clearly leading the local market and are among the most advanced companies in the world. The U.S. Patent and Trademark Office has granted us two patents for the technology behind this software.

In international markets, we sell software through our own direct sales force, as well as through an extensive reseller network extending to over 50 countries. Our best-selling product in the reseller network is our performance management software, QPR Metrics.

OUR MARKETS

The process mining software market is in an early phase of its life cycle and its estimated growth is approximately 50% per year. According to market research companies, the size of this global software market in 2019 was approximately EUR 250 million. The rapid growth is expected to continue in the coming years, and the market size to reach EUR 1.3 billion in 2023.

The process and enterprise architecture modeling market is mature. The size of this software market is estimated to exceed EUR 500 million.

The strategic corporate performance management software market is mature. The size of this software market is estimated at over EUR 300 million.

CUSTOMER STORIES

TWO SUCCESS STORIES

YIT GROUP

Was able to unify its procedures with the help of GRIP Management System

YIT and Lemminkäinen completed their merger early 2018. The combination created a financially strong company with urban development as the engine for growth and profitability. The merger of the two companies brought along some challenges, and the company wanted to avoid operational silos as well as support its personnel in their daily activities. A common management system was developed, where the best-practices of both companies were put together.

The new YIT Group selected QPR Software to develop the GRIP Management System in co-operation with it. QPR EnterpriseArchitect software was used to model the processes and interfaces in the management system. GRIP has been implemented with QPR Cloud service and imbedded in YIT's SharePoint.

"The co-operation between QPR and other suppliers has functioned very well. The teams work hard to find the best solutions for YIT. Every sprint results in value creating features and according to given time table."
– Tiina Talja,
Project Manager, YIT GRIP Project

The development of GRIP plays a central role in YIT's productivity program seeking significant savings. The productivity has improved, as the long experience of both companies has been refined to common operating models. These models are led and developed with the help of GRIP.

"The best thing that YIT and QPR co-operation has generated is that we have been able to together innovate how the management system can best lead operations from the user point-of-view. We have managed to create new twist to a traditional management system through our joint efforts."
- Hanne Perälä,
YIT GRIP Project Owner

KBC GROUP

Identifying inefficiencies, risks, and automation opportunities with process mining

KBC Group, a multi-channel bank-insurer, were struggling to understand reasons for process failures. With centralized risk management operations yet local offices in 30 countries, these reasons were particularly complicated to identify. In addition, KBC Group realized that they needed to fully understand their processes before they would be able to transform their business and prepare for the future. In order to gain these insights, as well as identify automation opportunities, they turned to QPR.

"QPR ProcessAnalyzer allows us to follow up on worldwide execution of processes from the headquarter office. With Root Cause Analysis, we found out why certain tasks are often done incorrectly. These insights substantiate our decisions to automate said tasks and implement a four-eye principle."
- Sander Van Lombeek, Team Lead of Commercial Credits at KBC Group

Moreover, QPR ProcessAnalyzer has helped them locate unnecessary steps. They are now able to keep track of Service Level Agreements in every subtask and find the causes of inefficiencies.

"To illustrate, we discovered a bottleneck caused by deficiency of the e-form system, doubling the promised processing time."
- Christof De Groote, Service Manager of Life Insurance at KBC Insurance

Another benefit for KBC Group is that they can provide faster service to end customers, and in that way improve their customer satisfaction. With fact-based insights into the sales potential of employees as well as the time consuming activities in the sales process, they are able to automate manual tasks and increase sales. They have, for instance, started automating their credit application checking process for faster credit approval decisions.

KBC Group are a multi-channel bank-insurer headquartered in Belgium, focusing on private clients and small and medium-sized enterprises.

"With QPR ProcessAnalyzer, we were able to analyze the process in two or three hours, compared to three weeks in the past."
- Christof De Groote,
Service Manager of Life Insurance atKBC Insurance

REVIEW BY THE CEO

The investments into our process mining software QPR ProcessAnalyzer were paying off in the reporting period, and international software net sales in this business area continued to grow. In 2019, process mining software net sales recorded 49% growth, driven by strong international software sales.

Process mining software is globally strengthening its position as an operational analytics tool, especially in the large organizations segment. Analysis results are used, among others, for improving existing operations, process optimization and automatization as well as digital transformation.

Process mining software product development proceeded well in the reporting period. We added, among others, features that enable fast and accurate process performance measurement and support for process automation initiatives. Thanks to new features added to the product, customers can also perform conformance analyses and compare actual performance to designed processes and operating models. In addition to this, we introduced new features utilizing artificial intelligence, such as clustering and forecasting features.

The competition in process and enterprise architecture modeling software and performance management software markets remained tight, as expected. Our modeling software net sales were negatively impacted by tightened competition and pricing change we implemented for enterprise architecture modeling software cloud services in the Finnish public sector. With this new pricing, we aim at significant increase in users of this software in the long term. Consulting net sales around operational development, digitalization and change management decreased in the latter half of the year in the public sector, where demand decreased after the Parliamentary Election in April.

In the future, we will focus on further developing our process mining software product and seek to strengthen its position in the rapidly growing market. We seek to grow our international software sales through direct sales, as well as with our current reseller partners and through new strategic partnerships. We are planning to add sales resources especially in European key markets, such as United Kingdom and France.

I would like to warmly thank all our customers, partners, personnel and shareholders for their valuable contribution and collaboration in 2019.

Jari Jaakkola
CEO

BOARD OF DIRECTORS

QPR Board of Directors held 15 meetings in 2019 (13). The average attendance at meetings was 98,3% (100%). The Board did not establish any committees. The Board of Directors made a self-assessment of its activities. In 2018, the Chairman of the Board and Board members received an annual emolument of EUR 25,230 and EUR 16,820, respectively. No separate meeting attendance fees were paid.

The Annual General Meeting held on April 4, 2019 elected the following four (4) members to the Board of Directors:

VESA-PEKKA LESKINEN
b. 1950

- Chairman of the Board since January 2006
- Member of the Board since July 2003
- Independent of the Company

Mr. Vesa-Pekka Leskinen is the Chairman of the Board of Kauppamainos Oy and the company's majority shareholder. He also served as the CEO of Kauppamainos between the years of 1979 and 2010. Kauppamainos provides services in investor relations and communications, whereby the firm has designed and delivered close to a hundred annual reports for various companies, participated in the preparation of dozens of equity issues, and supported more than ten companies in their IPO processes. In this context, Mr. Leskinen has personally been involved in investor relations and communications of publicly listed companies.

Mr. Leskinen is also a founding partner of Quartal Oy and was the company's majority shareholder until 1999. Quartal is specialized in developing computerized delivery solutions and communication services, especially for the stock market and companies publicly traded on the stock exchange. In addition, Mr. Leskinen has been the Chairman of the Board of Directors at Vianaturale Oy since May 2014, and a Board member since October 2006.

Mr. Leskinen holds a degree in MAT.

Vesa-Pekka Leskinen held 851,400 shares of QPR Software Plc on December 31, 2019. Kauppamainos Oy, whose majority shareholder Mr. Leskinen is, held 475,170 shares of QPR Software Plc on December 31, 2019.

TOPI PIELA
b. 1962

- Member of the Board since March 2012
- Independent of the Company

Mr. Topi Piela is the CEO of Pension Fund of Finnish Broadcasting Company and a member of the Finnish Association of Professional Board Members. Additionally, Piela is a member of the Board of Directors of EAB Group Oyj, JJPPPT Holding Oy, Asuntosalkku Suomi Oy, Porasto Oy and Piela Ventures Oy. He is also a member of the Commerce Committee of Alfred Kordelin Foundation, Supervisory Board member at Ilmavoimien Tuki-Säätiö and member of the investment committee of Helsingin Seurakuntayhtymä.

Until September 2019 Topi Piela served as CEO at Umo Invest Oy and Balance Capital Oy, as well as deputy to CEO of Umo Capital Oy. Earlier, Topi Piela served as the Managing Director of Finvest Oyj and Amanda Capital Plc, after which he assumed a position in the Board of Directors of Amanda and worked also as the chairman. He has also acted as a member of the State Pension Fund as well as the Finnish Broadcasting Company's Pension Fund investment committees, and a member of the Board of Directors as well as the audit Committee of Etera. Piela's previous positions include Investment Director at Ilmarinen Mutual Pension Insurance Company, Managing Director and co-founder of Arctos Rahasto Oy, and Securities and Investment Director of Ålandsbanken Ab. He has also served on the investment committees of several Finnish and European private equity funds. Topi Piela has earlier been member of QPR Software Board of Directors during 2006–2009.

Mr. Piela holds an M.Sc. in Economics, is a certified CEFA holder and has passed the Finnish Advanced Insurance Examination.

Topi Piela held 1,052 shares of QPR Software Plc on December 31, 2019.

SALLA VAINIO
b. 1969

- Member of the Board since April 2019
- Independent of the Company and its significant shareholders

Ms. Salla Vainio has a long experience in top management roles in various companies, and her special expertise lies in leading expert organizations. Currently Salla serves as the CEO of Marketing Clinic, a strategy and marketing firm. Salla is a member of Directors' Institute Finland and has been in several executive boards both as a member and a chairman.

Ms. Salla Vainio holds a Master of Science in Economics.

Ms. Salla Vainio did not hold shares of QPR Software Plc on December 31, 2019.

JARMO RAJALA
b. 1973

- Member of the Board since April 2019
- Independent of the Company and its significant shareholders

Mr. Jarmo Rajala is a digital technology expert and a leader with long experience in software business, AI and analytics. Currently Jarmo works as Director, Data & AI, at a Finnish consultancy and software company Cubiq Analytics Oy. Previously Jarmo was employed by a search-based analytics company ThoughtSpot as a Regional Director for Nordics and Baltics.

Mr. Jarmo Rajala holds an MBA from Henley Business School.

Mr. Jarmo Rajala did not hold shares of QPR Software Plc on December 31, 2019.

EXECUTIVE MANAGEMENT TEAM

JARI JAAKKOLA
b. 1961

- Chief Executive Officer since January 2008
- Member of the Executive Management Team since August 2006

Mr. Jari Jaakkola worked from August 2006 to January 2008 as Senior Vice President of Business Operations at QPR Software Plc, before being appointed Chief Executive Officer. Mr. Jaakkola's previous experience covers leadership positions at Sonera Corporation´s Group Management Team and the Metsä Board Corporation. His past roles include lead responsibilities in large international equity and finance operations, investor relations, strategic marketing and brand management, as well as in corporate communications and corporate affairs. Mr. Jaakkola has also worked for communications agencies and accumulated broad experience in working in international advertising and media.

Mr. Jaakkola holds a B.A. degree in Journalism from the University of Tampere and an MBA from Henley Business School (United Kingdom).

Jari Jaakkola held 241,000 shares of QPR Software Plc on December 31, 2019. Value FM Ltd, a company fully owned by Mr. Jaakkola, held 7,000 shares of QPR Software Plc on December 31, 2019.

TERO ASPINEN
b. 1985

- Vice President, Middle East and Performance Management since January 2017
- Member of the Executive Management Team since January 2017

Mr. Tero Aspinen oversees QPR's business in the Middle East and is responsible for the development and sales of performance management solutions globally.

Mr. Aspinen has served QPR Software in various roles since 2008. He has been involved in more than a hundred customer cases where organizations have implemented QPR's solutions.

Mr. Aspinen holds a master's degree in Industrial Engineering and Management.

Tero Aspinen did not hold shares of QPR Software Plc on December 31, 2019.

MATTI ERKHEIKKI
b. 1978

- Senior Vice President, Process Mining and Strategy Management since January 2017
- Member of the Executive Management Team since July 2007

Mr. Matti Erkheikki is in charge of the global sales and delivery of process mining and analytics solutions as well as the development of an international sales channel for all of QPR´s software products.

Mr. Erkheikki has served QPR Software since February 2002, initially as a consultant. In 2005, he was appointed Business Development Manager, and in 2006 as the Regional Vice President of North America. From 2007 to 2014 he was responsible for QPR's business operations in Finland, and in between the years of 2012 and 2014, he also led the global OEM business.

Mr. Erkheikki holds a master's degree in Industrial Engineering and Management.

Matti Erkheikki did not hold shares of QPR Software Plc on December 31, 2019. His spouse held 2,000 shares of QPR Software Plc on December 31, 2019.

PEKKA KESKIIVARI
b. 1964

- Senior Vice President, Products and Technology
- Member of the Executive Management Team since March 2019

Mr. Pekka Keskiivari is responsible for QPR's Software Product Portfolio, Product Strategy, Product Management, Product Development and Customer Care services.

Prior to joining QPR, he worked as Chief Technology Officer for Diktamen Oy in 2014-2019 and CRF Health in 2006-2014. During 1996-2006 Mr. Keskiivari held various management and executive positions at Sonera Corporation in the area of Product Development and Management. Prior to this, he worked for Neste in various roles ranging from software development to oil trading.

Mr. Keskiivari holds a Master of Science degree in Engineering from Helsinki University of Technology.

Pekka Keskiivari held 1,450 shares of QPR Software Plc on December 31, 2019.

JAANA MATTILA
b. 1966

- Chief Financial Officer since June 2015
- Member of the Executive Management Team since June 2015

Ms. Jaana Mattila is responsible for finance, human resources and administration at QPR Software. Additionally, she is responsible for holding QPR's insider register and monitoring the compliance with Insider Guidelines, as well as coordinating and reporting on the Company's internal controls and risk management.

Before joining QPR Software, Ms. Mattila worked as the Chief Financial Officer at Biohit Oyj in 2013 and 2014. Earlier, she also has held positions in financial management and development at Baxter Oy and Stora Enso Oyj and worked as the Finance Director at Fazer Amica Oy.

Ms. Mattila holds a Master of Science degree in Economics.

Jaana Mattila did not hold shares of QPR Software Plc on December 31, 2019.

MIIKA NURMINEN
b. 1969

- Senior Vice President, Operational Development since June 2015
- Member of the Executive Management Team since January 2015

Mr. Miika Nurminen is responsible for QPR's Operational Development Business, including consulting and software, in QPR's domestic market, Finland. He is also responsible for managing internal ICT.

Mr. Nurminen has been employed by QPR since 1999. From 1999 to 2008, his career advanced from Consultant to Senior Consultant, Head of QPR Customer Care and ICT, to reach Senior Product Manager. Between the years of 2000 and 2001, he also worked as a consultant at QPR's then US office in Minneapolis. In 2008, he was appointed Director of Product Development, and in 2009 the Director of Business Process Management Products. Between 2011 and 2014, Mr. Nurminen served as the Head of Enterprise Architecture Solutions. Prior to QPR, Mr. Nurminen held various positions, such as Application Specialist and Founding Partner at Planway Oy and Software Engineer at ICL Data Finland Ltd.

Mr. Nurminen holds a master's degree in Business Information Technology.

Miika Nurminen did not hold shares of QPR Software Plc on December 31, 2019.

REPORT OF THE BOARD OF DIRECTORS

SUMMARY FOR THE FULL YEAR 2019

- Net sales amounted to EUR 9,513 thousand (2018: 10,047), down 5%
- Process mining software QPR ProcessAnalyzer´s net sales grew by 49% but the Group net sales decreased by 5 % due to decreasing modeling and performance management software net sales.
- Recurring revenue accounted for 52% of net sales (54)
- Operating result (EBIT) was EUR -213 thousand (521)
- Operating margin was -2.2% (5.2)
- Result before taxes was EUR -240 thousand (335)
- Result for the period was EUR -161 thousand (320)
- Earnings per share was EUR -0.013 (0.027)
- The Board of Directors proposes to the Annual General Meeting that no dividend will be paid for the financial year 2019.

BUSINESS OPERATIONS

QPR Software´s mission is to make customers agile and efficient in their operations. We innovate, develop, and sell software aimed at analyzing, monitoring, and modeling operations in organizations. Furthermore, we offer customers a variety of consulting services.

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, Cloud services and Consulting.

Recurring revenue reported by the Company consists of Software maintenance services and Cloud services. In addition, recurring revenue includes Renewable software licenses.

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 notice period. Renewable license revenue is recognized at one point in time, in 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 headquarter location.

The figures in these financial results have been reported in accordance with the IFRS 16 Lease agreement standard, effective from January 1, 2019. Detailed description is included in Accounting Principles section of this report.

NET SALES

Net sales in January – December were EUR 9,513 thousand (10,047), down 5%. Recurring revenue accounted for 52% (54) of net sales.

Software license net sales were on the same level as prior year (-1%). Software maintenance net sales decreased by 9% from the previous year, which was mainly due to maintenance net sales decrease in our international reseller channel. In process mining, software license net sales and maintenance net sales increased. Cloud service net sales were down by 19%, due to the pricing change we implemented in the Finnish public sector modeling software cloud services. In process mining, cloud service net sales increased.

Consulting net sales were EUR 3,061 thousand (3,057) and remained on the same level as prior year. International net sales increased by 1%. International process mining software net sales increased, but modeling and performance management net sales in international reseller channel decreased. Net sales in Finland decreased by 11%, mainly due to the modeling software pricing change, as described earlier in this report.

Of the Group net sales, 51% (54) derived from Finland, 31% (28) from the rest of Europe (including Russia and Turkey) and 18% (18) from the rest of the world.

Net sales by product group

The Group's turnover consisted of software and consulting businesses and was distributed as follows:

EUR in thousands	Group, IFRS 2019	2018	Change %
Software licenses	1,552	1,559	0
Renewable software licences	1,102	1,126	-2
Software maintenance services	2,731	2,989	-9
Cloud services	1,068	1,316	-19
Consulting	3,061	3,057	0
Total	9,513	10,047	-5

Net sales by geographic area

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 location.

EUR in thousands	Group, IFRS 2019	2018	Change %
Finland	4,863	5,444	-11
Europe, including Russia and Turkey	2,965	2,817	5
Rest of the world	1,686	1,786	-6
Total	9,513	10,047	-5

FINANCIAL PERFORMANCE

Operating result

In January – December reporting period, the Group operating result (EBIT) was EUR -213 thousand (521), or -2.2% of net sales (5.2). Strategic investments in growth businesses continued, which increased personnel, sales and marketing costs.

The Group´s fixed costs were EUR 8,583 (8,320), which accounted for an increase of 3% compared to prior year. Personnel costs represented 75% (74) of fixed costs and were EUR 6,455 thousand (6,142). Credit losses, included in fixed costs, increased slightly and were valued at EUR 76 thousand (10).

Other items in the comprehensive income statement
The result before tax was EUR -240 thousand (335) and the result for the period was EUR -161 thousand (320). Earnings per share were EUR -0.013 (0.027).

The result before tax was EUR -240 thousand (335) and the result for the period was EUR -161 thousand (320). Earnings per share (fully diluted) were EUR -0.013 (0.027).

FINANCE AND INVESTMENTS

Cash flow from operating activities in the reporting period January - December was EUR 1,349 thousand (1,335). Cash and cash equivalents at the end of the reporting period were EUR 1,035 thousand (505). Cash flow was positively affected by a short-term bank loan raised by the Group.
Net financial expenses were EUR 26 thousand (187) and included currency exchange losses of EUR 21 thousand (193). Exceptionally large currency exchange losses in the previous year were due to liquidation of the Group´s subsidiary in Russia.

Investments totaled EUR 1,156 thousand (790). Investments were mainly related to product development expenditure.

The Group´s financial position is strong. The gearing ratio was -9% (-18). The change in gearing ratio is mainly due to the adoption of the new IFRS 16 accounting standard in the beginning of this year. At the end of the quarter, the equity ratio was 45% (49).

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.

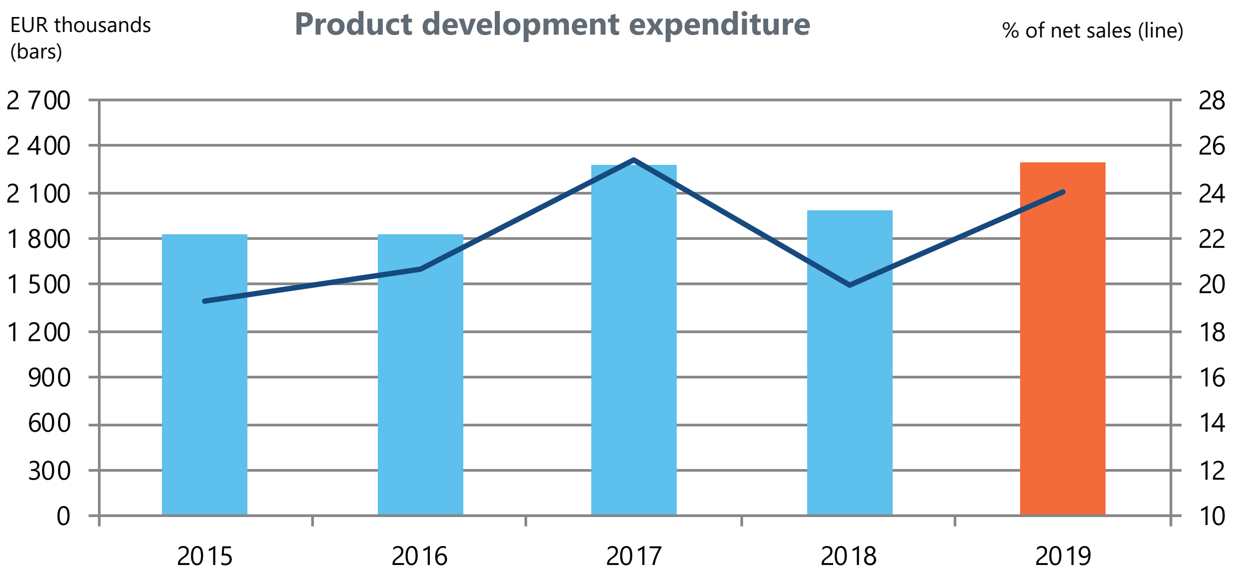
In the reporting period 2019, product development expenses were EUR 2,293 thousand (1,989), or 24% of net sales (20). Product development expenses worth EUR 788 thousand (732) were capitalized. The amortization of capitalized product development expenses was EUR 827 thousand (762). The amortization period for capitalized product development expenses is four years.

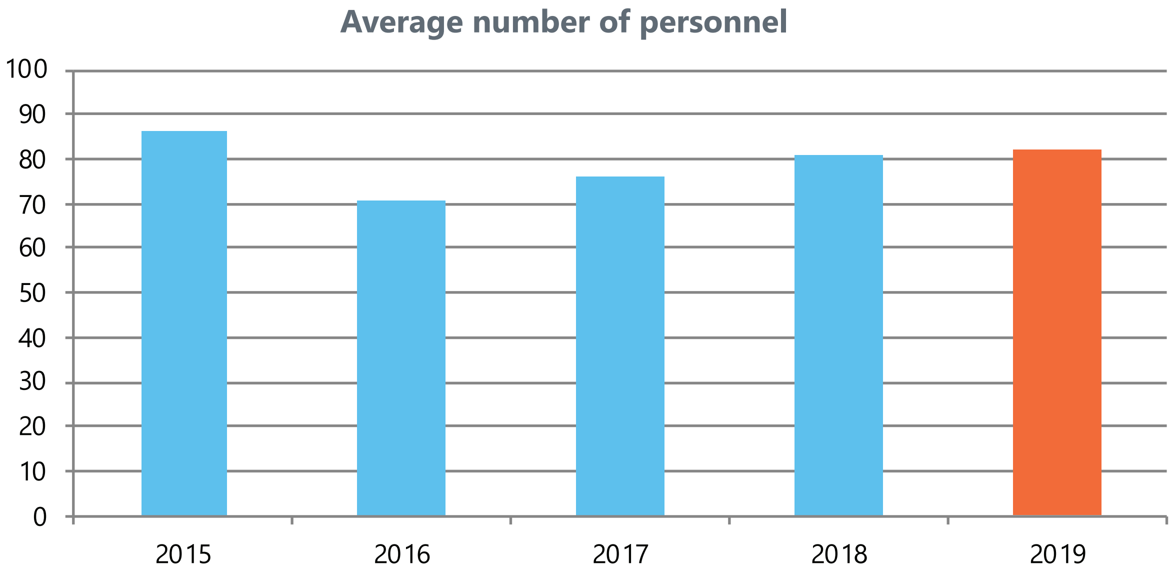
PERSONNEL

At the end of the reporting period, the Group employed a total of 83 persons (84). The average number of personnel during the reporting period 2019 was 82 (81).

The average age of employees is 42.7 (40.8) years. Women account for 23% (23) of employees, men for 77% (77). 17% (17) work in sales and marketing, 41% (43) in consulting and customer care, 33% (31) in product development, and 10% (9) in administration.

For incentive purposes, the Company has a bonus program that covers all employees. Short term remuneration of the top management consists of salary, fringe benefits, and a possible annual bonus based mainly on the Group and business unit net sales performance. In 2019, the maximum annual bonus for members of the executive management team, including the CEO, was 30% of the annual base salary. A bonus totaling EUR 5 thousand (22) is paid to the executive management team for 2019.





STOCK OPTION PLAN

The Board of Directors of QPR Software Plc resolved in its meeting on January 29, 2019 to launch a new key employee stock option plan, based on an authorization granted by the Annual General Meeting. The purpose of the stock options is to encourage the key employees to work on a long-term basis to increase the shareholder value and to retain the key employees at the Company.

The maximum total number of stock options issued is 910,000 and they entitle their owners to subscribe for a maximum total of 910,000 new shares in the Company or existing shares held by the Company. The stock options are issued gratuitously. Of the stock options, 437,000 are marked with the symbol 2019A and 473,000 are marked with the symbol 2019B. The share subscription period, for stock options 2019A, will be January 1, 2022 – January 31, 2023, and for stock options 2019B, January 1, 2023 – January 31, 2024.

The number of shares subscribed by exercising stock options issued corresponds to a maximum total of 6.81% of all shares and votes of the shares in the Company after the potential share subscriptions if new shares are issued in the share subscription. After the share subscriptions with stock options, the number of the Company's shares may be increased by a maximum total of 910,000 shares, if new shares are issued in the share subscription. The share subscription price for stock options 2019A is EUR 1.70 per share, which corresponded to the market price of the Company's share at the time of launching the option plan. The share subscription price for stock options 2019B is EUR 2.55 per share, which corresponds to the market price of the Company's share with an addition of 50%. The total expected cost effect of the stock option plan is about EUR 190 thousand.

STRATEGY

Our target is to grow our net sales by an average of 15 – 20% per annum over the next three years. The target is mainly based on international net sales growth in process mining, where we target annual growth of over 50%.

We innovate, develop and sell software and related services aimed at analyzing, measuring and modeling operations in organizations. Furthermore, we offer customers consulting services in operational development and digital business optimization.

We will further accelerate product development by increasing our resources in a controlled manner. In software development, we place special focus on excellent user experience. We focus our product development to meet the challenges our client organizations face, especially in leading and developing their operations in a digitalizing world. A special focus area for development is process mining.

In the next few years, we seek growth especially in our international software sales. To reach this target, we will continue to increase our resources and investments in international marketing and sales.

We also actively seek strategic partnerships to strengthen our international software sales and product development.

SHARE CAPITAL, SHAREHOLDERS AND SHARES

The Company's share capital at the end of the year 2019 was EUR 1,359,090 divided into 12,444,863 shares.

The Company has one share class. Each share has one vote and an equal right to dividend. The book counter value of the share is EUR 0.11. The Company's shares are included in the Finnish book-entry securities system managed by Euroclear Finland Oy.

At the end of the year, the Company had a total of 1,146 shareholders (1,151). During the year, trading in the Company's shares amounted to EUR 2,229 thousand (1,694), i.e. an average of EUR 8,917 per trading day (6,776).

Trading in shares totaled 1,091,153 shares (1,026,097), giving an average of 4,365 shares per trading day (4,104). Turnover in shares corresponds to 11.4 % (8.6) of the total shares outstanding and the average price was EUR 2.10 per share (1.65). The highest closing price during the year was EUR 2.50 (1.77) and the lowest EUR 1.62 (1.55).

At the end of the year, the total market value of the Company shares outstanding was EUR 29,120 thousand (19,540) at the closing price of EUR 2.34.

QPR Software shareholding by insiders and closely related persons, December 31, 2019

Name and position	Number of shares	By conrolled entities	By closely related persons *)	Stock options 2019 A	Stock options 2019 B
Vesa-Pekka Leskinen, Chairman of the Board	851,400	475,170	0	0	0
Topi Piela, Member of the Board	1,052	0	0	0	0
Jarmo Rajala, Member of the Board	0	0	0	0	0
Salla Vainio, Member of the Board	0	0	0	0	0
Kirsi Jantunen, Principal Auditor	0	0	0	0	0
Jari Jaakkola, Chief Executive Officer	241,000	7,000	0	130,000	135,000
Insiders by definition					
Tero Aspinen, VP, Executive Management Team	0	0	0	30,000	33,000
Matti Erkheikki, SVP, Executive Management Team	0	0	2,000	65,000	65,000
Jaana Mattila, CFO, Executive Management Team	0	0	0	40,000	45,000
Miika Nurminen, SVP, Executive Management Team	0	0	0	65,000	65,000
Pekka Keskiivari, SVP, Executive Management Team	1,450	0	0	22,000	45,000
Insider ownership in total	1,094,902	482,170	2,000	352,000	388,000

*) Shares held by spouses and persons under guardianship.

Major shareholders of QPR Software Plc, December 31, 2019 *

Registered shareholders	No. of shares	% of shares and votes
Umo Capital Oy	1,660,000	13.34
Pelkonen, Jouko Antero:	1,458,000	11.71
Pohjolan Rahoitus Oy	1,423,000	11.43
Pelkonen, Jouko Antero	35,000	0.28
Leskinen, Vesa-Pekka:	1,326,570	10.66
Leskinen, Vesa-Pekka	851,400	6.84
Kauppamainos Oy	475,170	3.82
Oy Fincorp Ab	1,091,984	8.77
Ac Invest Oy	905,645	7.28
Lamy Oy	553,249	4.45
Junkkonen, Kari Juhani	512,016	4.11
QPR Software Oyj	457,009	3.67
Laakso, Janne Juhani	312,280	2.51
Piekkola, Asko	310,438	2.49
Jaakkola, Jari Vesa:	248,000	2.00
Jaakkola, Jari Vesa	241,000	1.94
Value Fm Oy	7,000	0.06
Leskinen, Veli-Mikko	232,530	1.87
Lehto, Teemu Samuli	81,606	0.66
Kempe, Anna	69,000	0.55
Becker, Kai-Erik Wilhelm	53,000	0.43
Hirvilammi, Hannu Esa	50,000	0.40
Kanninen, Matti Juhani	47,839	0.38
Puttonen, Vesa	46,891	0.38
Investment Fund Nordea Nordic Small Cap	40,863	0.33
Hinkka Markku Juhani	38,270	0.31
20 largest, total	9,456,920	75.99
Other shareholders	2,798,089	22.48
TOTAL	12,444,863	100

* excluding nominee registered shareholders

Distribution of shareholding by size, December 31, 2019

	Shareholders:		Shares and votes:	
Number of shares	Number	%	Number	%
1 - 500	741	65	108,485	0.9
501 - 1 000	160	14	133,558	1.1
1 001 - 5 000	172	15	399,183	3.2
5 001 - 10 000	25	2.2	194,256	1.6
10 001 - 50 000	30	2.6	697,809	5.6
50 001 - 100 000	3	0.3	203,606	1.6
100 001 -1 700 000	15	1.3	10,707,966	86.0
Total	1,146	100	12,444,863	100
of which nominee-registered	7		1,700,271	13.7

Distribution of shareholding by sector, December 31, 2019

	Shareholders:		Shares and votes:	
Sector	Number	%	Number	%
Private companies	32	3	4,998,846	40.1
Financial and insurance institutions	8	0.698	3,378,980	27.2
Households	1,095	95.55	4,050,230	32.5
Non-profit organizations	1	0.1	1	0.0
European Union	3	0.262	12,387	0.1
Other countries	3	0.3	4,419	0.0
Total	1,146	100	12,444,863	100
of which nominee-registered	7		1,700,271	13.7

OWN SHARES

In 2019, the Company did not repurchase any own shares in the public trading of Nasdaq Helsinki (0).

At the end of the year, the Company held 457,009 of its own shares with a total nominal value of EUR 50,271 and a total purchase price of EUR 439,307. Own shares held by the Company (treasury shares) represent 3.7% of the Company's share capital and votes.

The Annual General Meeting on April 4, 2019 authorized the Board of Directors to decide on issuing a maximum of 4,000,000 new shares and to decide on conveyance of a maximum of 700,000 own shares held by the Company. The authorizations are in force until the next Annual General Meeting. By the end of the year 2019 the Company had not used these authorizations.

GOVERNANCE

QPR Software Plc's corporate governance practices comply with Finnish laws and regulations, the Company's Articles of Association, the rules of Nasdaq Helsinki Oy and the Finnish Corporate Governance Code 2015 issued by the Securities Market Association of Finland. The Company has issued a separate Corporate Governance Statement for 2019.

The Company's Corporate Governance Statement is available on the Investor section of the Company's website (www.qpr.com/investors).

Further information such as administration of the insider register, list of major shareholders, articles of association, charter of the Board, description of how internal control and internal audit are organized, introductions of the members of the Board and

Executive Management Team, summary of the QPR Software Disclosure Policy, and the information published by the Company during the financial year is also available in the investor section.

DECISIONS MADE BY THE ANNUAL GENERAL MEETING

The Annual General Meeting held on April 4, 2019 approved the Company´s financial statements and the Group´s financial statements and the Group´s financial statements for the financial year 2017 and discharged the members of the Board of Directors and the CEO from liability.

The Annual General Meeting approved the Board's proposal that no dividend be paid for the financial year 2018.

The Annual General Meeting resolved that the number of Board Members is four (4) and re-elected Vesa-Pekka Leskinen and Topi Piela. as members of the Company´s Board of Directors. As new members of the Board of Directors, Jarmo Rajala and Salla Vainio were elected. 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 Vesa-Pekka Leskinen as its Chairman.

The Annual General Meeting re-elected Authorized Public Accountants KPMG Oy Ab as QPR Software´s auditor with Kirsi Jantunen, 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 an issue of new shares and conveyance of the own shares held by the Company (share issue) either in one or in 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.

All authorizations of the Board and other decisions made by the Annual General Meeting are available in their entirety on the stock exchange release published by the Company on April 4, 2019, and available in the Investors section of the Company's website,
https://www.qpr.com/investors/stock-exchange-and-press-releases.

MANAGEMENT AND AUDITORS

As of January 1, 2019, the Executive Management Team (EMT) of QPR Software Plc consisted of Chief Executive Officer Jari Jaakkola (chairman), VP Middle East business and performance management solutions Tero Aspinen, SVP Process Mining and Strategy Management business Matti Erkheikki, Chief Financial Officer Jaana Mattila, SVP Operational Development business Miika Nurminen, and SVP Products and Technology Pekka Keskiivari.

KPMG Oy Ab, Authorized Public Accountants, acted as QPR Software Plc's auditors, with Authorized Public Accountant Kirsi Jantunen as the principal auditor.

SHARES AND OPTIONS HELD BY THE BOARD AND THE EXECUTIVE MANAGEMENT TEAM

On December 31, 2019 the members of QPR Software Plc's Board of Directors, and the Executive Management Team, and persons or entities closely related to them, held a total of 12.69% of the total number of shares and votes, 81.32% of stock option rights and 17.37% of the total number of shares and votes that can be obtained by using all stock option rights. The amounts include own holdings, holdings of spouses, persons under guardianship, and controlled entities.

AUTHORIZATION OF THE BOARD OF DIRECTORS

The Annual General Meeting on April 4, 2019 decided to authorize the Board of Directors to decide on an issue of new shares and conveyance of the own shares held by the Company (share issue) either on one or 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 authorization also includes the right to issue special rights, in the meaning of Chapter 10, Section 1 of the Companies Act, which entitle to the Company's new shares or the Company's own shares held by the Company against consideration.

In the share issue and/or based on the special rights a maximum of 4,000,000 new shares can be issued and a maximum of 700,000 own shares held by the Company can be conveyed. The authorization is in force until the next Annual General Meeting.

The Annual General Meeting decided to authorize the Board of Directors to decide on a repurchase of own shares. Based on the authorization, an aggregate maximum amount of 250,000 shares of the Company's own shares may be repurchased, either on one or several occasions. The authorization is in force until the next Annual General Meeting.

The conditions of all authorizations of the Board of Directors decided by the Annual General Meeting are available in their entirety on the stock exchange release published by the Company on April 4, 2019 which is available on the investors section of the company's web site (www.qpr.com/investors/annual general meetings).

INTERNAL CONTROL

Internal control and risk management in the Group aims to ensure that the Group 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 ensures continuity of its business.

It is the duty of the Board of Directors to monitor the appropriateness, effectiveness and efficiency of risk management and internal control in QPR Software Group. Risk management report covering the risks presented in the Risk Management section is presented to the Board in connection with quarterly financial reporting.

The threat caused by the risks to shareholders is used as a criterion when the Board of Directors evaluates these risks. The Board of Directors also monitors that the Company has defined operational principles for internal control and that the Company monitors the effectiveness of internal control.

RISK MANAGEMENT

Coordination of risk management and internal control and the related reporting is the responsibility of the Chief Financial Officer. Risk management in QPR Software is guided by the requirements of legislation, shareholders' expectations regarding business objectives, and expectations among important stakeholders, such as customers and personnel.

Risk management in QPR Software aims systematically and comprehensively to identify risks related to the Company's operations and ensures that risks are managed and taken into account in decision making. The Company does not have a separate risk management organization, and risk management is part of routine responsibilities throughout the organization. Risk management is developed by constantly improving operative processes in the Company.

QPR Software identifies the risks by their materiality: if realized, the risks selected for monitoring would have a material impact on the Company's business operations.

QPR has identified the following three groups of risks related to its operations: risks related to business operations, risks related to information and products, and risks related to financing.

Property, operational and liability risks are covered by insurance.

QPR Software Plc's Management System has received ISO 9001:2015 quality certification covering the Company's all activities, which is audited annually by an external party.

RISKS RELATED TO BUSINESS OPERATIONS

The following risks are related to QPR Software's business operations:

Country risk

The instrument used for the risk is potential loss of country-specific revenue. Risk is managed by constantly gathering market information and by conducting business that is spread both geographically and across different industries.

Customer risk

The instruments used for measuring the risk are software maintenance customer churn and the share of overdue accounts receivables of all receivables (%). Risk is managed by taking good care of every customer and reseller, as well as, by active follow-up and collection of accounts receivables.

Personnel risk

The instrument used for measuring the risk is personnel churn. Risk is managed by professional recruitment, professional supervisory work and by securing possibilities for job rotation as well as for learning and growth.

Legal risk

The instrument used for measuring the risk is cumulative euro-value of all open legal disputes compared to annual net sales (%). The risk is managed by in-depth knowhow of contractual law, standard terms used in agreements and by performing both ethically and according to the Company values.

QPR's market and customer risks are mitigated as follows: the Company conducts business in more than 50 countries, both in public and private sectors as well as in several different business verticals.

Reasonable credit risk concerning individual business partners is characteristic to any international business. QPR seeks to limit this credit risk by continuous monitoring of standard payment terms, receivables and credit limits.

RISKS RELATED TO INFORMATION AND PRODUCTS

QPR Software has identified the following three risks related to information and products:

Risk related to own products

The risk is managed by securing the competitiveness of the Company's offering at all times through content and the product strengths. The Company seeks to ensure the security of its products by continuous process development and automated malware prevention.

Intellectual Property Rights

The Company's Intellectual Property Rights (IPR) are secured by the confidentiality of the source code and selected patent applications.

In its process mining business, the Company has adopted an active IPR strategy. As a result of this, QPR filed patent applications in respect of five separate inventions in Finland and the USA in 2012. The inventions relate to automated business process discovery based on processing event data. In April 2015, QPR announced that the U.S. Patent and Trademark Office has granted a patent as a result of the applications, and in May 2016 QPR announced that the same office has granted a second patent for this technology.

In addition, the Company aims to secure by up-to-date contract management and internal training that third party IPRs are not used unauthorized in QPR products. The Company also has a legal expenses insurance.

Information and security risks

QPR Software regularly monitors and mitigates information security risks at the operational level and reports about them to the Board of Directors. As such, we are improving both governance and technology to improve the robustness of our systems. To mitigate information security risks, we have adopted data and vendor governance models, facilitate the annual audits of our partners and provide appropriate user training to improve security awareness.

No significant changes have taken place in QPR's information and product related risks during 2019.

RISKS RELATED TO FINANCING

QPR Software has identified the following two financing risks:

Currencies

The instrument used for measuring foreign currency risk is the share of all non-euro receivables or of an individual non-euro receivable from all receivables (%). The risk is managed by using the euro as the primary invoicing currency and by currency hedging according to the Company's hedging policy. The company constantly monitors how the open positions of the biggest invoicing currencies develop. At the end of the year, the Company had not hedged its foreign currency (non-euro) trade receivables. Approximately 56% of the Group's trade receivables were in euro at the end of the quarter (67). At the end of the quarter, the Company had not hedged its non-euro trade receivables.

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. The value of trade receivables over 60 days past due was 22% (10) of total trade receivables at the end of the quarter.

Short-term cash flow

The instrument used for measuring the risk is forecasted cash flow. Risk is managed by monitoring accounts receivable and by effective collection of overdue receivables.

The risks related to financial position of the company are mitigated by relatively high share of recurring revenue in net sales. Management of financial risks in 2019 is described in more detail in Note 28.

LEGAL DISPUTES

In 2019 and 2018, the Company did not have any legal disputes.

OUTLOOK

Operating environment and market outlook

In recent years, QPR Software has made significant investments in developing the Company´s process mining software, as well as in renewing the user interfaces of its software products. The Company estimates that the demand for process mining software and related services will continue to grow rapidly over the course of 2020.

In developed markets, we expect the competition for process and enterprise architecture modeling software, as well as for performance management software to remain tight. However, there is still growth potential for these products in emerging markets, especially for performance management software.

Outlook for 2020

Based on actual sales performance in early 2020 and current sales funnel, QPR expects net sales to grow in 2020 (2019: EUR 9,513 thousand). The most significant sources of growth are international process mining and performance management software sales and deliveries. Operating result (EBIT) is estimated to be negative (2019: -213 thousand) due to planned increase in European sales personnel and growth investments in software products. EBITDA is expected to be positive (2019: EUR 1,036 thousand).

Mid-term financial targets

The Company´s mid-term target in 2020 – 2022 is to grow net sales by an average of 15 – 20% per annum. The target is mainly based on international net sales growth in process mining, where we target an annual growth of over 50%.

THE BOARD OF DIRECTORS' PROPOSAL ON DIVIDEND

The distributable funds of the parent company were EUR 943 thousand on December 31, 2019. The Board of Directors will propose to the Annual General Meeting to be held on April 7, 2020 that no dividend be paid for the financial year 2019.

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

The Board of Directors' proposals to the Annual General Meeting are available in their entirety in the February 27, 2020 published Notice to the Annual General Meeting, available on the Company's web site (www.qpr.com/investors/annual general meetings)

QPR SOFTWARE

FINANCIAL STATEMENTS

2019

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT, IFRS

(EUR 1,000)	Note	2019	2018
Net sales	3	9,513	10,047
Other operating income	4	0	-10
Materials and services	6	1,143	1,196
Employee benefit expenses	7	6,455	6,142
Depreciation and amortization	9	1,250	949
Other operating expenses	10	878	1,229
Total expenses		9,727	9,516
Operating Result		-213	521
Financial income	11	25	9
Financial expenses	11	-51	-196
Financial items, net		-26	-187
Result before tax		-240	335
Income taxes	12	78	-15
Result for the financial year		-161	320
Other items in comprehensive income that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		-5	179
Other items in comprehensive income, net of tax		-5	179
Total comprehensive income for the financial year		-166	499
Earnings per share, EUR			
Undiluted, euros	13	-0,013	0,027
Diluted, euros	13	-0,013	0,027

CONSOLIDATED BALANCE SHEET, IFRS

(EUR 1,000)	Note	2019	2018
ASSETS			
Non-current assets			
Capitalized product development expenses	14	1,709	1,693
Other intangible assets	14	335	138
Goodwill	15	513	513
Tangible assets	16	371	116
Other investments	17	5	5
Deferred tax assets	19	136	57
Total non-current assets		3,068	2,521
Current assets			
Trade and other receivables	20	2,904	3,409
Cash and cash equivalents	21	1,035	505
Total current assets		3,939	3,915
Total assets		7,007	6,436
EQUITY AND LIABILITIES			
Equity			
Share capital	23	1,359	1,359
Other funds		21	21
Treasury shares		-439	-439
Translation difference		-66	-61
Invested non-restricted equity fund		5	5
Retained earnings		1,882	1,987
Equity attributable to shareholders of the parent company		2,762	2,873
Current liabilities			
Trade and other payables	25	3,461	3,563
Interest-bearing liabilities	24	784	-
Total current liabilities		4,245	3,563
Total liabilities		4,245	3,563
Total equity and liabilities		7,007	6,436

CONSOLIDATED CASH FLOW STATEMENT, IFRS

(EUR 1,000)	Note	2019	2018
Cash flow from operating activities			
Result for the period		-161	320
Adjustments for the result			
Depreciation		1,250	949
Other adjustments	27	-0	378
Changes in working capital:			
Increase (-)/decrease (+) in short-term non-interest bearing receivables		601	178
Increase (+)/decrease (-) in short-term non-interest bearing liabilities		-296	-446
Interest expense and other financial expenses paid		-51	-28
Interest income and other financial income received		25	9
Taxes paid		-18	-27
Net cash flow from operating activities		1,349	1,335
Cash flow from investing activities			
Acquisition of tangible assets		-54	-50
Capitalized development expenses		-788	-733
Acquisition of other intangible assets		-200	-7
Net cash flow from investing activities		-1,041	-790
Cash flow from financing activities			
Proceeds from borrowings	24	500	-
Repayments of borrowings	24	-278	-
Dividends paid	23	0	-360
Net cash flow from financing activities		222	-360
Change in cash and cash equivalents		530	185
Cash and cash equivalents at the beginning of year		505	318
Effect of exchange rate differences		-0	2
Cash and cash equivalents at the end of year	21	1,035	505

PARENT COMPANY INCOME STATEMENT, FAS

(EUR)	Note	2019	2018
Net sales	3	8,777,855	9,318,068
Other operating income	4	551,619	513,432
Material and services	6	2,958,946	2,976,208
Personnel expenses	7	4,558,388	4,386,777
Depreciation and amortization	9	185,798	362,788
Other operating expenses	10	1,776,288	1,818,735
Total expenses		9,479,421	9,544,508
Operating result		-149,947	286,993
Financial income and expenses	11	-39,586	-33,927
Result before appropriations and taxes		-189,533	253,066
Result before taxes		-189,533	253,066
Income taxes	12	96,467	-9,856
Result for the financial year		-93,066	243,209

PARENT COMPANY BALANCE SHEET, FAS

(EUR)	Note	2019	2018
ASSETS			
Non-current assets			
Intangible assets	14	353,311	137,179
Tangible assets	16	89,995	115,868
Investments in group companies	17	3,581,152	3,581,152
Other investments	17	4,562	4,562
		4,029,021	3,838,761
Current assets			
Non-current receivables	18,19	287,503	200,000
Current receivables	20	2,742,515	3,205,681
Cash and cash equivalents	21	925,515	428,922
		3,955,534	3,834,603
Total assets		7,984,554	7,673,364
EQUITY AND LIABILITIES			
Equity			
Share capital	23	1,359,090	1,359,090
Invested unrestricted equity fund		5,347	5,347
Retained earnings		1,493,513	1,250,259
Treasury shares		-439,307	-439,307
Result for the financial year		-93,066	243,209
Total equity		2,325,577	2,418,598
Liabilities			
Current liabilities	24, 25	5,658,977	5,254,766
Total liabilities		5,658,977	5,254,766
Total equity and liabilities		7,984,554	7,673,364

PARENT COMPANY CASH FLOW STATEMENT, FAS

(EUR)	2019	2018
Cash flows from operations		
Operating result	-149,947	286,993
Adjustment for the period:		
Depreciation and amortization	185,798	362,788
Financial items, net	-19,636	2,481
Taxes paid	10	-902
Cash flows before change in working capital	16,226	651,359
Change in working capital		
Increase (-) / decrease (+) in current receivables	359,800	191,459
Increase (-) / decrease (+) in current liabilities	-148,032	-486,793
Change in net working capital	211,768	-295,334
Net cash from operating activities	227,994	356,025
Cash flows from investing activities		
Investements in intangible assets	-209,786	-6,660
Purchases of tangible assets	-53,952	-50,262
Investments in subsidiary loans granted	0	7,351
Investments in subsidiary loans receivable	32,292	289,931
Net cash used in investing activities	-231,445	240,361
Cash flows from financing activities		
Proceeds from current loans and borrowings	500,000	-
Dividends paid	45	-359,543
Cash flows from financing activities	500,045	-359,543
Change in cash and cash equivalents	496,593	236,842
Cash and cash equivalents at the beginning of the year	428,922	192,079
Cash and cash equivalents at the end of the year	925,515	428,922

STATEMENTS OF CHANGES IN EQUITY

Consolidated statement of changes in equity, IFRS

(EUR 1,000)	Share capital	Other funds	Translation differences	Treasury shares	Invested unrestricted equity fund	Retained earnings	Equity attributable to share-holders of the parent company
Equity Jan 1, 2018	1,359	21	-240	-439	5	2,027	2,733
Dividends paid						-360	-360
Comprehensive income			179			320	-302
Equity Dec 31, 2018	1,359	21	-61	-439	5	1,987	2,873
Dividends paid						0	0
Stock option scheme						56	56
Comprehensive income			-5			-161	-166
Equity Dec 31, 2019	1,359	21	-66	-439	5	1,882	2,762

PARENT COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY, FAS

	Restricted equity		Unrestricted equity				
(EUR)	Number of shares	Share capital	Treasury shares	Invested unrestricted equity fund	Retained earnings	Total unrestricted equity	Total equity
Equity Jan 1, 2018	12,444,863	1,359,090	-439,307	5,347	1,609,802	1,175,842	2,534,932
Dividends paid					-359,566	-359,566	-359,566
Result for the year					243,209	243,209	243,209
Equity Dec 31, 2018	12,444,863	1,359,090	-439,307	5,347	1,493,468	1,059,508	2,418,598
Dividends paid					45	45	45
Result for the year					-93,066	-93,066	-93,066
Equity Dec 31, 2019	12,444,863	1,359,090	-439,307	5,347	1,400,447	966,487	2,325,577

NOTES TO FINANCIAL STATEMENTS

COMPANY INFORMATION

QPR offers services and software tools for developing business processes and enterprise architecture. The parent company QPR Software Plc (company ID 0832693-7) is a public limited liability company incorporated in Finland. The Company domicile is in Helsinki and its registered address is Huopalahdentie 24, 00350 Helsinki, Finland. The shares of the parent company QPR Software Plc have been listed on the Helsinki Stock Exchange since 2002.

A copy of the Financial Statements is available on the Internet at www.qpr.com or at the Company's headquarters, address Huopalahdentie 24, Helsinki, Finland.

The Board of Directors of QPR Software Plc has ap-proved on February 26, 2020 the Financial Statements for publication. Shareholders have the right to approve or reject the Financial Statements in the Annual General Meeting. The Financial Statements may also be revised by the Annual General Meeting.

ACCOUNTING PRINCIPLES

Basis of preparation

QPR Software Plc's Consolidated Financial State-ments have been prepared in accordance with the International Financial Reporting Standards (IRFS), taking into account IAS and IFRS standards, as well as SIC and IFRIC interpretations, valid as of December 31, 2019. In the Finnish accounting legislation, International Financial Reporting Standards refer to standards and interpretations accepted to be followed in the European Union in accordance with the EU Regulation number 1606/2002.

Financial statements for the parent company QPR Software Plc have been prepared in accordance with Finnish Accounting Standards (FAS) that differ in certain respects from the IFRS standards used in the consolidated financial statements.

The financial statements have been prepared using the historical cost convention, unless otherwise dis-closed in the accounting principles below. The Con-solidated Financial Statements have been presented in Euro, which is the functional currency of the parent company. Financial statements have been presented in thousand Euro. All presented amounts have been rounded, which means that the sum of individual amounts may differ from the total amount presented. Key figures have been calculated using the exact amounts.

New and amended standards and interpretations adopted in 2019

Starting from January 1, 2019, the Group has applied the following new and revised standards and interpretations.

IFRS 16 Leases (effective for financial years beginning on or after 1 January 2019). The new standard replaces the former IAS 17 –standard and related interpretations. IFRS 16 requires the lessees to recognise the lease agreements on the balance sheet as a right-of-use assets and lease liabilities. The accounting model is similar to former finance lease accounting according to IAS 17. There are two exceptions available, these relate to either short term contacts in which the lease term is 12 months or less, or to low value items i.e. assets of value about USD 5 000 or less.

- As of beginning of 2019, in accordance with the IFRS 16 Leases -standard, leases are recognized in the balance sheet as a right-of-use asset and a corresponding financial liability at the date at which the lease asset is available for the use by the Group. Lease payments are allocated in liabilities and financial expenses. Financial expense is recognized in the income statement over the lease period. Right-of-use asset is depreciated on a straight-line basis over the the asset's useful life or the shorter lease term. The lease liabilities are discounted at the borrowing average rate of 2% as of January 1, 2019. The Group has adopted the new IFRS 16 standard using modified retrospective approach and the comparative information has not been restated.
- The Group leases mainly offices to be used as working premises. Rental contracts are typically made for fixed periods with possible extension options, or for an indefinite period with a notice period of typically less than a year. The Group continues to treat leases of 12 months or less and leases of low-value assets as other leases. Until end of the year 2018 leases of property, plant and equipment were classified as operating leases. Payments made under operating leases were recognized in the income statement on a straight-line basis over the period of the lease.

- The change in the accounting policy affected the group opening balance sheet items of January 1, 2019, as follows:
  - material assets increased with the right-of-use asset by approximately EUR 560 thousand
  - non-current liabilities increased by approximately EUR 280 thousand
  - current liabilities increased by approximately EUR 280 thousand

Management estimates that the following new or revised standards and interpretations will not have a material impact on the Consolidated Financial Statements.

IFRIC 23 Uncertainty over Income Tax Treatments (effective for financial years beginning on or after 1 January 2019). The interpretation brings clarity to the accounting for income tax treatments that have yet to be accepted by tax authorities. The key test for accounting is the assessment of whether the tax authority will accept the entity's chosen tax treatment or not. When considering this the assumption is that tax authorities will have full knowledge of all relevant information in assessing a tax treatment proposed by the entity.

Annual Improvements to IFRSs (2015-2017 cycle) (effective for financial years beginning on or after 1 January 2019). The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The amendments clarify the following standards: IFRS 3, IFRS 11, IAS 12 and IAS 23

Other new or revised standards or interpretations did not have any impact on the consolidated financial statements.

Consolidation principles

The Consolidated Financial Statements include the parent company QPR Software Plc and the subsidiaries controlled by it. With regard to subsidiaries, the parent company's control is based on full ownership of the share capital or a majority holding. The Company did not own shares in joint ventures or associated companies in 2019 and 2018.

Subsidiaries acquired during the financial period are consolidated from the date when the control over subsidiary is obtained, and divestments are included up to the date when the control is lost. Intragroup shareholdings are eliminated using the acquisition cost method. Intercompany business transactions, receivables and liabilities, unrealized profits, and the intragroup profit distribution are eliminated in the Consolidated Financial Statements. The profit for the financial year applicable to non-controlling interests is presented separately in the consolidated comprehensive income statement, and the share of the non-controlling interest in shareholders' equity is presented separately in the consolidated balance sheet. The Group didn't have any non-controlling interests in subsidiaries in 2019 and 2018.

Continuity of operations

The Consolidated Financial Statements have been prepared in accordance with the principle of continuity.

Foreign currency translation

The functional currency of subsidiaries is the local bookkeeping currency.

Transactions denominated in foreign currency have been translated into the group reporting currency using the exchange rate valid on the transaction date. Monetary items have been converted into the group reporting currency using the exchange rate at the closing date and non-monetary items using the exchange rate on the transaction date. The exchange gains and losses from business operations are included in the corresponding items above operating profit. The exchange gains and losses from financial assets or liabilities denominated in foreign currency are included in financial income and expenses.

The income statements of foreign subsidiaries are translated into Euro using the average exchange rates for the year and the balance sheets are translated using the exchange rates on the balance sheet date. Translation differences arising from the elimination of foreign subsidiaries and translation of equity items accumulated after the acquisition are entered in other comprehensive income. Foreign currency gains and losses from monetary items that are part of the net investment in a foreign unit are recognized in other comprehensive income.

Revenue recognition

Net sales include normal sales income from business operations deducted by taxes related to sales and discounts granted. When net sales are calculated, they are adjusted for exchange rate differences of foreign currency.

Revenue is recognised when (or as) a company transfers control of goods or services to a customer either over time or at a point in time.

The consolidated net sales consist of software license sales, software maintenance services, cloud (SaaS) services and consulting. In relation to its resellers the Company acts as a principal and records in its net sales the revenue from the software sales of the resellers to the end customers, and records in its costs the reseller commission.

Software license revenue is recognized at a point in time, when (or as) a company transfers control of license or user right to a customer.

Limited term license performance obligations are license and maintenance, and revenue is recognized as the performance obligation if fulfilled, either at a point in time or over time, during the agreement period.

Software license revenue arising under a contract of indefinite duration and invoiced upfront for the invoicing period is recognized in accordance with its performance obligations which are license, maintenance and cloud (SaaS) services. License part of the revenue is recognized at a point in time, in the beginning of each invoicing period, however not earlier than delivery is performed. Maintenance part as well as cloud services in total are recognized over time, evenly during the contract period.

Software maintenance services covering software updates and customer support is recognized over time, evenly during the agreement period.

Cloud services (SaaS) in totality are recognized over time, as the performance obligation is the service rendered over time.

Revenue of consulting services are recognized over time, in accordance with the fulfillment of the performance obligation i.e. rendering of the consulting service, when (or as) control of the services has been transferred to the customer.

The payment terms used by the Group are typical for each market, including domestic terms being typically shorter that international terms.

Other operating income

Other operating income includes income outside the Group's ordinary business operations. Public subsidies are recorded in other operating income, except when they are related to investments, in which case they are deducted from the acquisition cost of the asset.

Pension plans

The Group's pension scheme is a defined contribution plan managed by a pension insurance company. The expenses are recognized in the comprehensive income statement in the financial period that the contribution relates to. The Group does not have a legal or constructive liability to pay additional contributions in case of non-performance by the pension insurance company.

Share-based payments

The Group has adopted a new option plan for key persons as of beginning of the year 2019. In the Group incentive plan payments are made in the form of equity instruments. The benefits granted under the plans are recognised at fair value on the date on which they were granted and entered as costs evenly throughout the period during which they were earned. The effect of the plans on profit or loss is presented under costs of employee benefits.

The cost determined on the date on which the options were granted is based on the Group estimate of the number of options for which rights are presumed to arise at the end of the incentive earning period. The Group updates the presumption of the final number of options on the final day of every reporting period. Changes in estimates are treated through profit or loss. The fair value of option plans is defined on the basis of the BlackScholes option pricing model. Terms that are not market-based, such as profitability and specific growth targets, are not taken into consideration when determining the fair value of options. Instead, they affect the estimate of the final number of options. When option rights are exercised, the assets obtained from share subscriptions are entered into the invested unrestricted equity fund in accordance with the terms of the plan.

The group did not have option schemes in year 2018.

Operating profit

IAS 1 "Presentation of Financial Statements" does not define the concept of operating profit. The Group uses the following definition of operating profit: operating profit is the sum of net sales and other operating income, less the cost of materials and services, expenses for employee benefits, other operating expenses, as well as depreciation, amortization and impairment losses of tangible and intangible assets. Exchange rate differences arising from working capital items are included in operating profit, whereas exchange rate differences arising from financial assets and liabilities are included in financial income and expenses.

Impairment

At each annual closing, the Group reviews asset items for any indication of impairment losses. If there are such indications, the amount recoverable from the said asset item is assessed. The recoverable amount of tangible and intangible assets is the higher of the asset item's fair value less the cost arising from disposal and its value in use. The recoverable amount of financial assets is either the fair value or the present value of expected future cash flows discounted at the original effective interest rate. An impairment loss is recognized in the comprehensive income statement when the carrying amount is greater than the recoverable amount.

Goodwill is not amortized but its recoverable amount is estimated annually or more frequently if circumstances indicate that the value may be impaired. Such estimate is prepared at least at each annual closing. For such purposes, goodwill is allocated to cash-generating units. An impairment loss is recognized in the consolidated comprehensive income statement, if the impairment test shows that the carrying amount of goodwill exceeds its recoverable amount. In this case the goodwill is recorded at its recoverable amount. After the initial recognition, goodwill is valued at original acquisition cost, less impairment losses recognized. Impairment losses on goodwill cannot be reversed.

Income taxes

The tax expense in the comprehensive income statement consists of tax based on taxable income for the financial year and deferred tax. Tax based on taxable income for the financial year is calculated on the basis of taxable income and the tax rate valid in each country. Income taxes are charged to income, except when they are related to items recorded in equity or other items in comprehensive income, in which case the tax expense is adjusted to such items.

Deferred taxes are calculated based on temporary differences between the book value and tax value of an asset or liability item. Deferred taxes are calculated at tax rates enacted by the balance sheet date.

A deferred tax asset is recognized in the amount that it is likely that taxable income will be generated in the future against which the temporary difference can be utilized. Deferred tax liabilities are recognized in the balance sheet in full.

In the parent company financial statements, income taxes are recorded in accordance with FAS.

Intangible assets

Goodwill arising in business combinations represents the excess of the cost of an acquisition, amount of non-controlling interests, and previously owned equity interests, over the fair value of the net assets of the acquired company. Goodwill is valued at the original acquisition cost less impairment losses.

Expenditures for research are recognized as expenses. Product development expenditures leading to new products or new features are capitalized and amortized during their useful life. Amortization starts when the product version has been released. Maintenance, reparations and minor revisions are directly recorded as expenses. The useful life of capitalized product development expenditures is 4 years, during which time the capitalized expenditures are amortized using the straight-line method.

Other intangible assets include for example patents and IT systems. They are amortized straight-line over their useful life, which is 2–5 years.

Tangible assets

The balance sheet values of tangible assets are based on original acquisition cost less accumulated depreciation and impairment losses. Depreciation is calculated using the straight-line method and is based on the estimated useful life of the asset.

Borrowing costs for assets taking a long time to complete are capitalized. Other borrowing costs are recognized as an expense for the period during which they arise. The Group didn't capitalize any borrowing costs in 2019 and 2018.

Useful lifetimes of tangible assets:

Machinery and equipment	3-7 years
IT machinery and equipment	2-5 years

Lease agreements

As of January 1 2019 the group has adopted the IFRS 16 Leases -standard. In accordance with the standard a contract is or contains a lease if the Group has a right to control the use of an identified asset for a certain period of time in exchange for consideration. When determining the non-cancellable period, the Group assesses the probability of exercising extension and termination options by considering all relevant facts and circumstances.

As of the financial year 2019 in accordance with the IFRS 16 Leases -standard leases are recognized in the balance sheet as a right-of-use asset and a corresponding financial liability at the date at which the lease asset is available for the use by the Group. Lease payments are allocated in liabilities and financial expenses. The financial expense is recognized in the income statement over the lease period. The right-of-use asset is depreciated on a straight-line basis over the the asset's useful life or the shorter lease term. The lease liabilities are discounted at the borrowing average rate of each year. The Group has adopted the new IFRS 16 standard using modified retrospective approach and the comparative information has not been restated.

When the future lease payments are revised due to changes in index-linked considerations or due to changes in lease terms, the right-of-use asset and the corresponding lease liability is remeasured to reflect these changes. Any differences that may arise from these reassessments, are recognised in the income statement.

The Group has applied the exemption of not recognising shortterm leases and leases of low value assets in the balance sheet and continues to treat them as other leases.

Until end of the year 2018 leases of property, plant and equipment were classified as operating leases. Payments made under operating leases were recognized in the income statement on a straight-line basis over the period of the lease. The Group did not have finance lease agreements during the year 2018.

In the parent company financial statements, lease payments are recognized as annual expense in accordance with FAS for years 2019 and 2018.

Financial assets and liabilities

The Group's financial assets are classified into the following measurement categories: financial assets at fair value through profit or loss and financial assets at amortised cost. The classification of financial assets is based on the purpose of the acquisition (business model for managing the asset) that is determined upon initial recognition. Transaction costs are included in the original carrying amount of a financial asset when the item is not measured at fair value through profit or loss. Purchases and sales of financial assets are recorded on the trade date. The items recognised at fair value through profit or loss include derivative receivables as well as shares and interests. Items recognised at amortised cost comprise trade receivables.

Financial liabilities are initially recognised at fair value less transaction costs that are directly attributable to the acquisition or issue of the financial liability. Subsequently financial liabilities, except for derivative liabilities, are measured at amortised cost using the effective interest rate (EIR) method. Financial liabilities may include both non-current and current liabilities and they can be interest-bearing or non-interest-bearing.

Financial assets and liabilities measured at fair value are presented in accordance with the hierarchy levels based on fair value measurement. Levels 1, 2 and 3 are based on the source of information used in the measurement. On level 1, fair values are based on public quotes. On level 2, fair values are based on quoted market rates and prices, discounted cash flows, and valuation models (options). For assets and liabilities classified on level 3, there is no reliable market information source, and therefore, the fair values of these instruments are not based on market information.

Measuring of the expected credit losses of trade receivables changed. To measure expected credit losses of trade receivables from customers as of the beginning of the year 2018, the Group uses a simplified approach, where the loss allowance is measured based on an allowance matrix and recognized at an amount equal to lifetime expected credit losses. Expected credit losses are measured based on historical information on previous credit losses, and also the available information on future economic conditions is included in the model.

Derivative contracts

Derivative contracts are initially recognised at fair value on the date on which the Group becomes a party to the contract and are subsequently measured at fair value. The Group has no derivative contracts in 2019 and 2018.

Cash and cash equivalents

Cash and cash equivalents include cash and cash equivalents which are highly liquid and have a maturity of no more than three months from the date of acquisition.

Treasury shares

Repurchase of own shares as well as the related direct costs are recorded as deductions in equity.

Provisions

A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

A restructuring provision is recognized when a detailed and appropriate plan has been prepared and the company has begun to implement the plan, or has announced that it will do so. Restructuring provisions are based on management's best estimate of actual expenses to be incurred e.g. from employee termination payments.

A provision for a loss-making agreement is recognized when unavoidable expenditure required to fulfill the obligations exceeds the benefits obtainable from the agreement.

Accounting principles that require management consideration, and essential factors of uncertainty related to management estimates

When preparing the 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. The most significant situations requiring manage-ment to use consideration and estimates are related to the following decisions:

- estimated useful lives of intangible and tangible assets,
- lease periods,
- impairment testing of goodwill,
- the point in time when development projects qualify for the capitalization of development expenses,
- probability of future taxable profit against which the tax-deductible temporary differences can be utilized,
- tax-deductibility of expenses,

- calculation models for options
- impairment of trade receivables, and
- amount of provisions

Adoption of new or revised IFRS standards

The Group has not yet adopted following published new or amended standards and interpretations. The Group will adopt them immediately after the standard or interpretation is effective or, when applicable, at the beginning of the next financial year.

Management estimates that the following new or revised standards and interpretations will not have a material impact on the Consolidated Financial Statements.

- **Amendments to References to Conceptual Framework in IFRS Standards** (effective for financial years beginning on or after 1 January 2020). The revised Framework codifies IASB's thinking adopted in recent standards. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs.
- **Definition of a Business (Amendments to IFRS 3)** (effective for financial years beginning on or after 1 January 2020). The amendments narrowed and clarified the definition of a business. They also permit a simplified assessment of whether an acquired set is a group of assets rather than a business.
- **Definition of Material (Amendments to IAS 1 and IAS 8)** (effective for financial years beginning on or after 1 January 2020). The amendments clarify the definition of material and include guidance to help improve consistency in the application of that concept across all IFRS Standards. In addition, the explanations accompanying the definition have been improved.

Other new and revised standards and interpretations are not expected to have an effect on the Consolidated Financial Statements when they become effective.

2. SEGMENT INFORMATION

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 license sales, Renewable software license sales, Software maintenance services, Cloud services, and Consulting. Recurring revenue reported by the Group consists of software maintenance services and cloud services as well as of renewable software licenses. Recurring revenue is based on long term contracts of indefinite or several years´ duration, and contract revenue is generally invoiced annually in advance.

The accounting and valuation principles for the segments are the same as in the Consolidated Financial Statements.

Group (EUR 1,000)	2019	2018
Net sales by operating segment		
Operational development of organizations	9,513	10,047
Total net sales	9,513	10,047

3. NET SALES

Net Sales by Product Group

Group net sales derive from software and consulting business, with the following breakdown:

	Group, IFRS (EUR 1,000)		Parent company, FAS (EUR)	
	2019	2018	2019	2018
Software licenses	1,552	1,559	1,419,467	1,477,365
Renewable software licenses	1,102	1,126	740,396	738,114
Software maintenance services	2,731	2,989	2,519,415	2,783,790
Cloud services	1,068	1,316	1,039,562	1,261,558
Consulting services	3,061	3,057	3,059,015	3,057,240
Total net sales	9,513	10,047	8,777,855	9,318,068

Net Sales by Geographic Area

As geographic information QPR Software reports geographical areas Finland, rest of Europe including Russia and Turkey, and rest of the world. Net sales are reported by the customer´s location.

Finland	4,863	5,444	4,862,903	5,444,274
Europe incl. Russia and Turkey	2,965	2,817	2,377,930	2,264,787
Rest of the world	1,686	1,786	1,537,023	1,609,008
Total net sales	9,513	10,047	8,777,855	9,318,068

4. OTHER OPERATING INCOME

	Group, IFRS (EUR 1,000)		Parent company, FAS (EUR)	
	2019	2018	2019	2018
Grants and subsidies	-	-11	-	-10,914
Other items	0	1	551,619	524,346
Total	0	-10	551,619	513,432

5. ACQUIRED BUSINESS OPERATIONS, PARENT COMPANY

No acquisitions were made in 2019 and 2018. During the year 2018 the Russian subsidiary OOO QPR Software was liquidated, and the Russion business operations were transferred to the Finnish Group companies.

6. MATERIALS AND SERVICES

	Group, IFRS (EUR 1,000)		Parent company, FAS (EUR)	
	2019	2018	2019	2018
Materials and services	1,143	1,196	2,958,946	2,976,208

Materials and services include mainly commissions and localization fees charged by the reseller network, as well as consultancy subcontracting.

Materials and services of the parent company include Intra-Group license purchases together with the above mentioned expenses.

7. EMPLOYEES AND RELATED PARTIES

	Group, IFRS (EUR 1,000)		Parent company, FAS (EUR)	
	2019	2018	2019	2018
Wages and salaries	5,402	5,085	3,813,181	3,635,193
Pension expenses - defined contribution plans	938	914	658,739	638,972
Other personnel expenses	115	142	86,467	112,612
Total	6,455	6,142	4,558,388	4,386,777
Average number of employees during the year	82	81	56	55

Related parties

The Group's and the parent company's related parties include members of the parent company's Board of Directors and the Executive Management Team, including the Chief Executive Officer, their spouses, domestic partners, children and dependents, spouses' or domestic partners' children and dependents, as well as entities controlled by any such related party.

The Group does not have any loans, commitments or guarantees granted to or received from related parties. The Group has had small-scale normal business operations with a related party in year 2019 and 2018.

Related parties to the parent company also include subsidiaries in the Group. The list of Group companies is presented in Note 17. Shares in subsidiaries and other entities. Transactions between the parent company and other Group companies, as well as intra-Group receivables, liabilities, commitments and guarantees are included as total amounts in the notes for the parent company financial statements.

Salaries, bonuses, fringe benefits and change in vacation bonus and bonus accruals for Management

The Group has determined Management to include members of the Board of Directors and the Executive Management Team, including the Chief Executive Officer.

	Group, IFRS (EUR 1,000)		Parent company, FAS (EUR)	
	2019	2018	2019	2018
Salaries and other short-term benefits				
Members of the Board of Directors	76	80	75,844	80,471
Chief Executive Officer Jari Jaakkola	195	199	194,541	199,053
Executive Management Team	592	564	592,311	564,446
Total	863	844	862,696	843,969

	Parent company, FAS (EUR)	
	2019	2018
Board fees by member:		
Leskinen Vesa-Pekka, Chairman of the Board	25,232	25,232
Eräkangas Kirsi	0	4,767
Häkämies Juha	4,486	16,824
Piela Topi	16,824	16,824
Rajala Jarmo	12,408	0
Sipilä Taina	4,486	16,824
Vainio Salla	12,408	0
Total	75,844	80,471

QPR Software Plc's Annual General meeting held on April 4, 2019 decided that the Chairman of the Board receives an annual emolument of EUR 25,230 (2018: EUR 25 thousand) and that other members of the Board receive an annual emolument of EUR 16,820 (2018: EUR 17 thousand) each. No separate meeting fees are paid.

The Group does not have any exceptional pension arrangements for the CEO. Pension expenses accrued, based on the CEO's salary and bonuses and the Finnish pension legislation, amounted to EUR 33 thousand in 2019 (2018: EUR 36 thousand).

The period of notice for the CEO is three (3) months. Compensation on termination is equivalent to six (6) month's salary. Other members of the Group's Executive Management Team do not enjoy special benefits related to termination of their contract.

In 2019, the maximum annual bonus of Executive Management Team, including the CEO, was 30% of the annual base salary. The bonus system for both the CEO and the Executive Management Team was based on development of the Group net sales, revenue and new sales of the divisions, and the Group's net sales in 2019. For financial year 2019 about 5 thousand euros (2018: EUR 22 thousand) will be paid to the executive management team, including the CEO.

8 . SHARE BASED PAYMENTS

Option scheme

As of beginning ot the year 2019 the Group has adopted a new option plan for key persons. The stock options are intended to form part of the Group's incentive and commitment program for the key employees. The purpose of the stock options is to encourage the key employees to work on a long-term basis to increase the shareholder value. The purpose is also to retain the key employees at the company. The company did not have option schemes in year 2018.

The maximum total number of stock options issued is 910,000 and they entitle their owners to subscribe for a maximum total of 910,000 new shares in the company or existing shares held by the company. The stock options are issued gratuitously. Of the stock options, 437,000 are marked with the symbol 2019A and 473,000 are marked with the symbol 2019B.

The number of shares subscribed by exercising stock options issued corresponds to a maximum total of 6.81 per cent of all shares and votes of the shares in the company after the potential share subscriptions, if new shares are issued in the share subscription. After the share subscriptions with stock options, the number of the company's shares may be increased by a maximum total of 910,000 shares, if new shares are issued in the share subscription.

The share subscription price for stock options 2019A is EUR 1.70 per share, which corresponds to the market price of the company's share. The share subscription price for stock options 2019B is EUR 2.55 per share, which corresponds to the market price of the company's share with an addition of 50 per cent. The share subscription price will be credited to the reserve for the company's invested unrestricted equity. The share subscription price will be deducted by the amount of dividends and distribution of assets paid.

The share subscription period, for stock options 2019A, will be 1 January 2022 – 31 January 2023, and for stock options 2019B, 1 January 2023 – 31 January 2024.

The theoretical market value of one stock option 2019A is approximately EUR 0.31 per stock option and of one stock option 2019B, approximately EUR 0.11 per stock option. The theoretical market value of stock options 2019 is approximately EUR 187,500 in total. The theoretical market value of one stock option has been calculated using the Black & Scholes stock option pricing model by taking into account the share subscription price of a stock option and with the following input factors: share price EUR 1.70, risk free interest rate 0 per cent, times to maturities of stock options approximately 4 years and approximately 5 years and volatility approximately 22 per cent.

A member of the Executive Management Team participating in the stock option plan must increase his or her share ownership in the company with the net profit received through the stock options. He or she must invest half of the net profit received through the stock options in the company's shares until his or her share ownership in the company corresponds to the value of his or her annual gross salary. The share ownership must be maintained at such level as long as his or her employment or service is in force.

The Board of Directors resolved on the new stock option plan by virtue of an authorization granted by the company's Annual General Meeting of Shareholders held on 12 April 2018. The target group of the stock option plan includes in total less than 15 key employees and persons belonging to the management. The terms and conditions of the stock options 2019 available on the company's webpage: www.qpr.com/investors.

Stock option schemes and subscription period	Stock options granted / outstanding at end of the year	Returned / exercised / expired	Un-distributed	One option entitles to purchases shares	Share subscription price
2019A 1.1.2022–31.1.2023	437,000	-	15,000	1	1,70
2019B 1.1.2023–31.1.2024	473,000	-	15,000	1	2,55
Total	910,000		30,000		

9. DEPRECIATION AND AMORTIZATION

	Group, IFRS (EUR 1,000)		Parent company, FAS (EUR)	
	2019	2018	2019	2018
Intangible assets	889	861	105,974	274,959
Tangible assets				
Machinery and equipment	80	88	79,824	87,829
Right-of-use assets, buildings	281	-	-	-
Total	1,250	949	185,798	362,788

Due to the adoption of IFRS 16 on 1 January 2019, the Group 's depreciation items for buildings are not comparable. No write-downs of the assets have been made during 2018 and 2019.

10. OTHER OPERATING EXPENSES

	Group, IFRS (EUR 1,000)		Parent company, FAS (EUR)	
(EUR 1,000)	2019	2018	2019	2018
Non-statutory indirect employee costs	268	266	197,113	213,804
Premises	62	332	335,516	310,237
Travel expenses	110	169	97,501	154,491
Marketing and other sales promotion	156	204	156,237	204,003
Computers and software	390	335	375,522	323,184
External services	483	453	447,538	433,842
Doubtful receivables and bad debts	76	10	75,799	3,527
Capitalized product development expenses	-788	-733	-13,917	-
Other expenses	121	194	104,980	175,646
Total	878	1,229	1,776,288	1,818,735

Other expenses include fees paid to the Company's auditor, as follows:

Auditing	32	29	29,707	27,385
Tax consulting	4	2	4,240	2,479
Other services	1	20	1,050	19,558
Total	37	51	34,996	49,421

Other than auditing services charged by the legally appointed auditor KPMG Oy Ab during the fiscal year 2019 were 5 thousand euro.

The management and administration service fees charged by the parent company to the subsidiaries have been reported within the other operating income, not as deductions in the other expenses.

Due to the adoption of IFRS 16 on 1 January 2019, the Group's office expenses are not comparable.

Product development expenses incurred during the year

	Group, IFRS (EUR 1,000)		Parent company, FAS (EUR)	
	2019	2018	2019	2018
Expenses recognized in profit or loss	1,505	1,256	203,030	198,507
Capitalized expenses	788	733	13,917	-
Total	2,293	1,989	216,947	198,507

Product development expenses mainly consist of personnel expenses. Recognized expenses do not include amortization of earlier capitalized expenses. Amortization is presented in Note 14.

11 . FINANCIAL INCOME AND EXPENSES

Recognized in profit or loss

	Group, IFRS (EUR 1,000)		Parent company, FAS (EUR)	
	2019	2018	2019	2018
Interest income from loans and other receivables	12	12	16,368	15,987
Interest expenses from loans	-2	-4	-6,053	-6,515
Other financial income and expenses	-16	-2	-6,919	-263
Exchange rate differences	-21	-193	-42,982	-43,137
Total	-26	-187	-39,586	-33,927

Exchange rate differences

Exchange rate differences included in net sales	-22	9	-20,693	10,077
Exchange rate gains in financial income	12	0	414	93
Exchange rate losses in financial expenses	-33	-193	-43,396	-43,230
Total	-43	-184	-63,675	-33,059

12. INCOME TAXES

Recognized in profit or loss

	Group, IFRS (EUR 1,000)		Parent company, FAS (EUR)	
	2019	2018	2019	2018
Current tax expense	-72	14	-67,996	8,936
Tax expense from previous years	-6	-	-28,471	63
Withholding tax	-	1	-	858
Total	-78	15	-96,467	9,856

Reconciliation between the income tax expense in the comprehensive income statement and the tax expense calculated at the applicable corporate tax rate in Finland (20% in 2019 and 2018):

	Group, IFRS	
(EUR 1,000)	2019	2018
Result before tax	-240	335
Income tax calculated at the Finnish corporate tax rate	-48	67
Effect of different tax rates in foreign subsidiaries	-0	-9
IFRS 15 changes	-	-82
Other items	-38	-5
Withholding tax	-	1
Non-deductible expenses	8	43
Tax expense in the comprehensive income statement	-78	15

13. EARNINGS PER SHARE

Undiluted earnings per share are calculated by dividing the result for the period attributable to shareholders of the parent company by the weighted average number of shares outstanding during the financial year.

	Group, IFRS	
(EUR 1,000)	2019	2018
Result for the period attributable to shareholders of the parent company (EUR thousand)	-161	320
Number of shares outstanding (1,000 pcs)	11,988	11,988
Earnings per share (EUR/share) Undiluted and diluted	-0,013	0,027

As of the beginning of 2019 the company adopted a new key employee share option scheme. During 2019, the stock option scheme had no dilutive effect. The Group did not have any dilutive instruments in 2018.

14. INTANGIBLE ASSETS

Group (EUR 1,000), IFRS	Computer software	Other intangible assets	Capitalized product development	Total
Acquisition cost Jan 1, 2018	1,049	2,596	5,161	8,806
Accum. amortization and write-downs Jan 1, 2018	-986	-2,485	-3,383	-6,854
Book value Jan 1, 2018	64	111	1,778	1,952
Increases	6	57	677	739
Amortization for the period	-50	-49	-762	-861
Acquisition cost Dec 31, 2018	1,055	2,652	5,838	9,545
Accum. amortization and write-downs Dec 31, 2018	-1,035	-2,534	-4,145	-7,714
Book value Dec 31, 2018	20	119	1,693	1,831
Increases, Transfers	202	57	844	1,102
Amortization for the period	-18	-44	-827	-889
Acquisition cost Dec 31, 2019	1,257	2,709	6,682	10,647
Accum. amortization and write-downs Dec 31, 2019	-1,053	-2,577	-4,973	-8,603
Book value Dec 31, 2019	203	132	1,709	2,044

Parent company (EUR), FAS				
Acquisition cost Jan 1, 2018	1,014,863	1,551,802	351,376	2,918,043
Accum. amortization and write-downs Jan 1, 2018	-951,344	-1,328,486	-232,731	-2,512,562
Book value Jan 1, 2018	63,518	223,316	118,645	405,479
Increases	5,870	790	0	6,660
Amortization for the period	-49,682	-161,264	-64,013	-274,959
Acquisition cost Dec 31, 2018	1,020,733	1,552,592	351,376	2,924,701
Accum. amortization and write-downs Dec 31, 2018	-1,001,027	-1,489,750	-296,744	-2,787,521
Book value Dec 31, 2018	19,705	62,842	54,632	137,179
Increases	195,869	112,320	13,917	322,106
Amortization for the period	-17,755	-43,518	-44,701	-105,974
Acquisition cost Dec 31, 2019	1,216,602	1,664,912	365,293	3,246,805
Accum. amortization and write-downs Dec 31, 2019	-1,018,783	-1,533,268	-341,445	2,818,726
Book value Dec 31, 2019	197,820	131,644	23,847	353,311

15. GOODWILL

Group (EUR 1,000)	2019	2018
Acquisition cost Jan 1	513	513
Acquisition cost Dec 31	513	513
Book value Dec 31	513	513

Goodwill has arisen from the acquisition of Nobultec Ltd in 2011 and hasbeen allocated to the Process Mining (former Process Intelligence) business unit.

Goodwill has been tested for impairment in the last quarter of 2019 and the discount rate used in impairment testing was 12.5% (2018: 12.5).

The recoverable amount evaluated in the impairment test is based on the 2020 budget and on subsequent development assessed on the basis of the budget. Key variables used in the calculations are the growth rates of net sales, expenses and EBITDA. The growth of net sales has been determined by taking into account the company's actual performance, market position and growth potential in its market.

Based on sensitivity analyses, management believes that it is unlikely that a somewhat likely change in key variables used in the test would lead to a situation where the book value of goodwill in the balance sheet would exceed the unit's recoverable amount.

Sales growth of the Process Intelligence business unit is broadly designed to be in line with the Company's strategy for the planning period. The recoverable amount based on cash flows for the next five years is about EUR 3.9 million.

If the annual net sales growth of the Process Intelligence business unit in the planning period were approximately -3%, it would constitute a situation in which there are indications of goodwill impairment. If the fair value of goodwill proved to be lower than the unit's book value in an impairment test, an impairment loss would be recorded as an expense in the income statement and would be allocated primarily to goodwill in the balance sheet.

16. TANGIBLE AND RIGHT-OF-USE ASSETS

Group (EUR 1,000), IFRS	Machinery and equipment	Right-of-use assets: buildings	
Book value Jan 1, 2018	154		
Increases	50		
Depreciation for the period	-588		
Acquisition cost Dec 31, 2018	1,871		
Accum. depreciation and write-downs Dec 31, 2018	-1,754		
Book value Dec 31, 2018	116		
Increases	54	562	
Depreciation for the period	-80	-281	
Acquisition cost Dec 31, 2019	1,925	562	
Accum. depreciation and write-downs Dec 31, 2019	-1,834	-281	
Book value Dec 31, 2019	90	281	*)

Parent company (EUR), FAS	
Book value Jan 1, 2018	153,434
Increases	50,262
Depreciation for the period	-87,829
Acquisition cost Dec 31, 2018	1,831,086
Accum. depreciation and write-downs Dec 31, 2018	-1,715,218
Book value Dec 31, 2018	115,868
Increases	53,952
Depreciation for the period	-79,824
Acquisition cost Dec 31, 2019	1,885,038
Accum. depreciation and write-downs Dec 31, 2019	-1,795,042
Book value Dec 31, 2019	89,995

*) Right-of-use assets Note 28 Leases

17. SHARES IN SUBSIDIARIES AND OTHER ENTITIES

The parent company of the Group is QPR Software Plc.

		Parent company	
Subsidiaries	Domicile	2019	2018
Owned directly by the parent company:			
QPR CIS Oy	Helsinki, Finland	100%	100%
QPR Software AB	Stockholm, Sweden	100%	100%
QPR Services Oy	Helsinki, Finland	100%	100%
QPR Software Inc.	San Jose, CA, USA	100%	100%
Owned indirectly by the parent company:			
OOO QPR Software *)	Moscow, Russia	0%	0%

*) Subsidiary OOO QPR Software was liquidated during the year 2018.

	Parent company (EUR)	
Shares in subsidiaries	2019	2018
Acquisition cost Jan 1	3,581,152	3,581,152
Acquisition cost Dec 31	3,581,152	3,581,152
Book value Dec 31	3,581,152	3,581,152
Other shares		
Acquisition cost Jan 1	4,562	4,562
Acquisition cost Dec 31	4,562	4,562
Book value Dec 31	4,562	4,562
Total book value of shares Dec 31	3,585,714	3,585,714

18. LONG-TERM RECEIVABLES

	Group, IFRS (EUR 1,000)		Parent company, FAS (EUR)	
	2019	2018	2019	2018
Receivables from the Group companies	-	-	200,000	200,000

Breakdown of the Parent company's receivables from Group companies:

	Group, IFRS (EUR 1,000)		Parent company, FAS (EUR)	
	2019	2018	2019	2018
QPR CIS Oy	-	-	200,000	200,000
Total	-	-	200,000	200,000

19. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets, based on tax-loss carryforwards, have changed as follows:

	Group, IFRS (EUR 1,000)		Parent company, FAS (EUR)	
	2019	2018	2019	2018
Jan 1	57	122	-	-
Recorded in comprehensive income	79	-65	87,503	-
Dec 31	136	57	87,503	-

The confirmed losses of the US subsidiary QPR Software Inc will not be available after the financial year 2019, so deferred tax assets are EUR 0 thousand (23). A deferred tax asset of EUR 136 thousand has been recognized in the balance sheet for unused confirmed or estimated losses of Finnish companies.

20. TRADE AND OTHER RECEIVABLES

	Group, IFRS (EUR 1,000)		Parent company, FAS (EUR)	
	2019	2018	2019	2018
Trade receivables	2,586	3,179	2,489,390	3,044,176
Accrued income and prepaid expenses	188	3	170,675	-5,133
Other receivables	130	228	55,666	166,638
Current receivables from Group companies	-	-	26,784	-
Total	2,904	3,409	2,742,515	3,205,681

Geographical breakdown of trade receivables:

Finland	1,089	1,453	1,088,671	1,453,479
Other European countries	415	801	381,962	709,322
Countries outside Europe	1,082	924	1,018,756	881,375
Total	2,586	3,179	2,489,390	3,044,176

Currency breakdown of trade receivables:

	Group, IFRS			
(EUR 1,000)	2019	%	2018	%
EUR (Euro)	1,454	56,2	2,128	66,9
USD (U.S. Dollar)	842	32,5	610	19,2
SEK (Swedish Krona)	52	2,0	95	3,0
ZAR (South African Rand)	119	4,6	138	4,3
JPY (Japanese Yen)	15	0,6	34	1,1
GBP (Pound Sterling)	7	0,3	94	3,0
RUB (Russian Ruble)	5	0,2	12	0,4
AED (United Arab Emirates dirham)	92	3,6	68	2,2
Total	2,586	100	3,179	100,0

Age analysis of trade receivables:

Not due	1,122	43,4	2,598	81,7
0 - 90 days overdue	956	37,0	264	8,3
90 - 180 days overdue	71	2,7	146	4,6
More than 180 days overdue	437	16,9	170	5,4
Total	2,586	100	3,179	100

Fair value of trade receivables:

The initial book value of trade receivables approximates fair value because the effect of discounting is not material due to the short maturity.

Credit losses and provision of credit losses

The Group recognizes expected credit loss provision based on the age of the trade receivables and experience.

	Group, IFRS Credit loss expectation based on trade receivables 2019, EUR 1,000	Credit loss expectance based on age trade receivables,%
Not due	0	0,0
0 - 60 days overdue	2	0,2
60 - 120 days overdue	0	0,5
120 - 180 days overdue	0	1,0
>180 days overdue	23	5,0
Total	25	

In addition to the maturity-based matrix for trade receivables, the company has recognized a provision for credit losses based on experience for a total of EUR 45 thousand.

Credit losses of EUR 76 thousand (10) on trade receivables have been recognized in profit or loss.

Breakdown of the Parent company's accrued income and prepaid expenses:

	Parent company, FAS (EUR)	
	2019	2018
Accrued income	69,127	37,512
Prepaid expenses	101,548	-42,645
Total	170,675	-5,133

Breakdown of the Parent company's receivables from Group companies:

	Parent company, FAS (EUR)	
	2019	2018
QPR CIS Oy	26,784	-
Total	26,784	-

21. CASH AND CASH EQUIVALENTS

	Group, IFRS (EUR 1,000)		Parent company, FAS (EUR)	
	2019	2018	2019	2018
Bank accounts	1,035	505	925,515	428,922
Total	1,035	505	925,515	428,922

The parent company has a credit limit of half a million euros with Nordea for short-term financing needs. The limit was not in use at the end of financial year 2019 or 2018

22. BALANCE SHEET ITEMS RELATED TO CUSTOMER CONTRACTS

	Group, IFRS (EUR 1,000)		Parent company, FAS (EUR)	
	2019	2018	2019	2018
Trade receivables	2,586	3,179	2,489,390	3,044,176
Contract assets	133	141	133,445	141,110
Contract liabilities	-1,564	-2,058	-1,803,821	-2,006,530

Contract assets are items for which performance obligations have already been fulfilled but customers not yet invoiced. In QPR Software, contract assets are usually related to consulting services which are invoiced after the performance obligations have been fulfilled.

Contract liabilities are items which have already been invoiced but performance obligations have not yet been entirely fulfilled. In QPR Software, contract liabilities are usually related to maintenance or SaaS fees which are invoiced from the customer prior to contract period and are recognized as revenue equally over time during the contract period.

23. SHAREHOLDERS' EQUITY

The Company has one series of shares and the maximum value of share capital is EUR 1,359 thousand. All the issued shares have been fully paid. Total amount of issued shares was 12,444,863 in 2019 and 2018.

Other funds

Includes the reserve fund in subsidiary QPR Software AB.

Treasury shares

Treasury shares include the purchase price of own shares held by the Group.

Capitalized product development costs

Capitalized product development costs include product development costs activated in the parent company balance sheet, that are to be deducted from the distributable funds in accordance with the Finnish accounting legislation.

Calculation of the distributable funds

	Parent company, FAS EUR	
	2019	2018
Retained earnings	1,493,468	1,609,802
Result for the period	-93,066	243,209
Dividends paid	45	-359,543
Treasury shares	-439,307	-439,307
Invested unrestricted equity fund	5,347	5,347
Activated product development expenses	-23,847	-54,631
Distributable funds	942,641	1,004,877

24. OTHER NON-CURRENT LIABILITIES AND INTEREST-BEARING LOANS

Current interest-bearing loans	Group, IFRS (EUR 1,000)		Parent company, FAS (EUR)	
	2019	2018	2019	2018
Loans from banks, next year repayment	500	-	500,000	-
Lease libilities	284	-	-	-
Total	784	-	500,000	-

Interest-bearing loans consist of a 1.1% fixed-interest short-term bank loan.

The Group has a revolving credit facility of EUR 1 million, of which EUR 500 thousand was in use at the end of 2019. The Group or the Parent company did not have interest-bearing loans outside the Group at the end of 2018.

The carrying amount of liabilities do not materially deviate from their fair value due to short maturieties of the instruments.

Repayment schedule of right-of-use liabilities

Group, IFRS

(EUR 1,000)

			2019		2018	
	Nominal interest rate	Maturity	Nominal value	Book value	Nominal value	Book value
Lease liabilities	2,00%	2019-2020	284	284	-	-
Interest-bearing right-of-use liabilities			284	284	-	-

25. TRADE PAYABLES AND OTHER LIABILITIES

	Group, IFRS (EUR 1,000)		Parent company, FAS (EUR)	
	2019	2018	2019	2018
Trade payables	25	33	31,951	29,984
Accrued expenses and prepaid income	2,083	2,489	1,787,789	2,198,117
Advances received	800	523	764,546	503,120
Other liabilities	554	519	342,918	344,014
Current liabilities to Group companies	-	-	2,231,773	2,179,531
Total	3,461	3,563	5,158,977	5,254,766

The amount of trade payables in foreign currency was low in 2019 and 2018.

The carrying amount of trade payables and other liabilities do not materially deviate from their fair value due to short maturieties of the instruments.

Breakdown of the Parent company's accrued expenses and prepaid income:

	Parent company, FAS (EUR)	
	2019	2018
Holiday pay, including social costs	597,037	549,245
Bonuses, including social costs	70,942	146,587
Prepaid income	885,793	1,417,569
Other accrued expenses	234,016	84,717
Total	1,787,789	2,198,117

Breakdown of the Parent company's liabilities to Group companies:

	Parent company, FAS (EUR)	
	2019	2018
QPR CIS Oy	-	-35,168
QPR Services Oy	799,030	756,561
QPR Software AB	670,630	707,602
QPR Software Inc	762,112	750,536
Total	2,231,773	2,179,531

26. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

The table discloses carrying amounts of financial assets and financial liabilities. The fair value hierarchy level for equity investments measured at fair value is three. The carrying amount of other financial assets and financial liabilities is a reasonable estimate of their fair value. The financial assets and liabilities are classified in accordance with IFRS 9.

December 31, 2019	Book value			
	Note	At fair value through profit or loss	Recognised at amortised cost	Total
Financial assets				
Financial assets measured at fair value				
Equity investments	17	5		5
Total		5		5
Financial assets not measured at fair value				
Trade and other receivables	20		2,904	2,904
Cash and cash equivalents	21		1,035	1,035
Total			3,939	3,939

December 31, 2019	Book value			
	Note	At fair value through profit or loss	Recognised at amortised cost	Total
Financial liabilities				
Financial liabilities not measured at fair value				
Bank borrowings	24		500	500
Right-of-use liabilities	24		284	284
Trade payables	25		25	25
Total			525	525

27. ADJUSTMENTS TO THE CASH FLOW FROM OPERATING ACTIVITIES

	Group, IFRS (EUR 1,000)	
	2019	2018
Corporate taxes	-78	364
Other items	78	15
Yhteensä	-0	378

28. COMMITMENTS AND CONTINGENT LIABILITIES

	Group, IFRS (EUR 1,000)		Parent company, FAS (EUR)	
	2019	2018	2019	2018
Business mortgage (held by the company)	1,385	1,386	1,337,288	1,337,288
Lease liabilities and rental commitments				
Maturing within one year	17	267	291,409	243,602
Maturing during in 1-5 years	0	254	0	254,033
Total	1,402	1,907	1,628,697	1,834,923

Rental commitments include office rental agreements:

- Rental agreement (January 1, 2017), valid for the time being. The notice period is 6 months.
- Rental agreement (December 1, 2018), valid for the time being. The notice period is 6 months. First notice day is May 31, 2020.

Rental guarantees totaling EUR 14 thousand are included in other current receivables in the balance sheet.

The Group and the Parent company had no derivative contracts in the end of fiscal years 2019 and 2018.

29. LEASE AGREEMENTS

Leases in the Balance Sheet

Group, IFRS (EUR 1,000)	12/31/2019
Assets	
Non-current assets	
Right-of use assets, buildings	281
Total	281
Equity and liabilities	
Lease liabilities, current	284
Total	284

Leases in the Income Statement

	1-12 2019
Expenses related to short term leases and low value asset leases	-9
Depreciation of right-of-use assets	-281
Interest expenses	-9
Total	-299

The total cash outflow for leases in 2019 was EUR 287 thousand.

Reconciliation of lease liablity

Minimum lease payments base on lease agreements as of Dec 31, 2018	521
Practical expedient for short-term leases	-6
Other incl. reassessment of lease terms	59
Effect of discounting *)	-12
Lease liability as of Jan 1, 2019	562

*) The used discount rate is 2%.

30. FINANCIAL RISK MANAGEMENT

The International business operations of QPR Group are exposed to risks typical in normal international transactions. Financial risk management aims to secure sufficient financing cost-effectively and to monitor, and when necessary, to mitigate the materializing risks. Risk management is a centralized responsibility of the Group's financing function and the CEO. The general risk management policies are approved by the QPR Software Plc Board of Directors. The Board is also responsible for supervising the adequacy, appropriateness and effectiveness of the Group's risk management.

Foreign exchange risk

The main sales currency for the Group is Euro and the majority of purchases are made in Euros.

The main part of trade receivables is in Euros (EUR). The most significant invoicing currencies after EUR were the U.S. Dollar (USD), South African Rand (ZAR), United Arab Emirartes Dirham (AED) and the Swedish Krona (SEK) during the financial year. If the value of USD, ZAR, AED and SEK against EUR were to decrease by 10%, and the share of currencies were to remain on the same level, the value of trade receivables would decrease by EUR 111 thousand, equaling 4.3% of the total value of all trade receivables. Correspondingly, if the value of all non-EUR invoicing currencies were to decrease by 10%, the value of trade receivables would decrease by EUR 113 thousand. A breakdown of trade receivables by currency is presented in Note 20.

In accordance with the foreign exchange risk policy approved by the Board of Directors on 19 May, 2010, the Company may engage in foreign currency hedging. The purpose of the currency hedging is to reduce the added uncertainty of exchange rates and to minimize the adverse impact of the exchange rate changes to the Group's cash flow, financial results and equity. Management regularly reviews the Company's foreign exchange risks, taking into account the hedging costs. At the end of 2019 and 2018, the Company did not have any hedging instruments.

Interest rate risk

The effect of interest rate changes on the Group result is insignificant and the Group did not take any hedging measures during the financial year.

Liquidity risk

Liquidity risk is defined as financial distress or extraordinary high financing costs due to a shortage of liquid funds in a situation where business conditions unexpectedly deteriorate and require financing.

The objective of liquidity risk management is to maintain sufficient liquidity and to ensure that it is available for business purposes fast enough. QPR maintains sufficient liquidity through efficient cash management and deposits. The Group's interest-bearing loans do not include any covenants.

Maturity schedule of liabilities (amounts are undiscounted):

Group, IFRS

(EUR 1,000)	Book value	0–6 months	7–12 months
Trade and other payables	579	579	0
Bank borrowings, revolving credit facility	500	500	0
Lease liabilities (IFRS16)	281	141	143
Total	1,360	1,220	143

Operative credit risk

The Group's international business operations are by their nature exposed to credit risk related to individual partners. However, the Group has a wide customer base and reseller network spread over several market areas. The Group's trade receivables thereby arise from a large number of resellers and customers in several market areas, and according to management's estimate there are no concentrations of reseller, customer, or geographical risks. In addition, continuous and active monitoring of receivables and credit limits aims at mitigating the Group's credit risks. The Group's maximum credit risk corresponds to the book value of trade receivables. Additional information on the Group's trade receivables is presented in Note 20.

31. KEY FIGURES OF THE GROUP 2017-2019

Group, IFRS

(EUR 1,000)	2019	2018	2017
Net sales	9,513	10,047	8,942
Growth of net sales, %	-5,3	12,4	
Operating result	-213,4	521	-110
% of net sales	-2,2	5,2	-1,2
Result or loss before tax	-240	335	-148
% of net sales	-2,5	3,3	-1,7
Result for the period	-161	320	-294
% of net sales	-1,7	3,2	-3,3
Return on equity, %	-5,7	11,4	-9,6
Return of investments, %	-5,9	18,9	-3,3
Cash and cash equivalents	1,035	505	318
Net liabilities	-251	-505	-318
Equity	2,762	2,873	2,733
Gearing, %	-9,1	-17,6	-11,6
Equity ratio, %	44,5	48,6	48,2
Total balance sheet	7,007	6,436	6,807
Investment in intangible and tangible assets	1,156	790	872
% of net sales	12,2	7,9	9,7
Research and development expenses	2,293	1,989	2,274
% of net sales	24,1	19,8	25,4
Personnel average for period	82	81	76
Personnel at the beginning of period	84	76	63
Personnel at the end of period	83	84	76

32. PER-SHARE KEY FIGURES 2017-2019

Group, IFRS	2019	2018	2017
Earnings per share, EUR	-0,013	0,027	-0,025
Equity per share, EUR	0,222	0,231	0,220
Dividend per share *, EUR	0,000	0,000	0,030
Dividend as % of result	0,0	0	-122,2
Effective dividend yield, %	0,0	0	1,8
Price/earnings ratio (P/E)	-173,7	61,0	-70
Development of share price			
Average price, EUR	2,04	1,65	1,59
Lowest closing price, EUR	1,65	1,55	1,17
Highest closing price, EUR	2,48	1,77	1,91
Closing price on Dec 31, EUR	2,34	1,63	1,71
Market capitalization on Dec 31, EUR 1,000	28,052	19,540	20,499
Development of trading volume			
Number of shares traded, 1,000 pcs	1,091	1,026	1,552
% of all shares	9,1	8,6	12,9
Number of shares on Dec 31, 1,000 pcs	12,445	12,445	12,445
Average number of shares outstanding	11,988	11,988	11,988

*) Year 2019: The Board of Director's proposal to the Annual General Meeting.

33. CAPITAL MANAGEMENT

Group, IFRS (EUR 1,000)	2019	2018
Cash and cash equivalents	1,035	505
Net liabilities	-251	-505
Shareholders' equity	2,762	2,873
Gearing, %	-9,1	-18
Equity ratio, %	44,5	49
Total balance sheet	7,007	6,436

The development of Group's capital structure is monitored, in particular, through gearing and equity ratio.

SIGNATURES OF BOARD OF DIRECTORS' AND FINANCIAL STATEMENTS

Helsinki, Finland, February 26, 2020

QPR Software Plc
Board of Directors

Vesa-Pekka Leskinen
Chairman of the Board

Jarmo Rantala
Board member

Topi Piela
Board member

Salla Vainio
Board member

Jari Jaakkola
Chief Executive Officer

AUDITOR'S NOTE

An auditor's report concerning the performed audit has been given today.

Helsinki, Finland, March 10, 2020

KPMG Oy Ab
Authorized Public Accountants

Kirsi Jantunen
Authorized Public Accountant

DEFINITION OF KEY INDICATORS

Return on equity (ROE), %:

$$\frac{\text{Result for the period x 100}}{\text{Shareholders' equity (average)}}$$

Return on investment (ROI), %:

$$\frac{\text{(Result before taxes + interest and other financial expenses) x 100}}{\text{Balance sheet total - non-interest bearing liabilities (average)}}$$

Equity ratio, %:

$$\frac{\text{Total equity x 100}}{\text{Balance sheet total - advances received}}$$

Gearing:

Interest-bearing liabilities - cash and cash equivalents

Gearing, %:

$$\frac{\text{(Interest-bearing liabilities - cash and cash equivalents) x 100}}{\text{Total equity}}$$

Earnings per share, euro:

$$\frac{\text{Result for period}}{\text{Weighted average number of shares outstanding during the year}}$$

Equity per share, euro:

$$\frac{\text{Equity attributable to shareholders of the parent company}}{\text{Number of shares outstanding at the end of the year}}$$

Dividend per share, euro:

$$\frac{\text{Total dividend paid}}{\text{Number of shares outstanding at the end of the year}}$$

Dividend per Result, %:

$$\frac{\text{Dividend per share x 100}}{\text{Earnings per share}}$$

Effective dividend yield, %:

$$\frac{\text{Dividend per share x 100}}{\text{Share price at the end of the year}}$$

Price/earnings ratio (P/E):

$$\frac{\text{Share price at the end of the year}}{\text{Earnings per share}}$$

Market capitalization:

Total number of shares outstanding x share price at the end of the year

Turnover of shares, % of all shares:

$$\frac{\text{Number of shares traded x 100}}{\text{Average number of shares outstanding during the year}}$$

Alternative performance measures

The Group reports certain performance measures that are not based on IFRS (i.e. alternative performance measures). Alternative performance measures are used to provide relevant information to interested parties and improve comparability of reporting periods. Alternative performance measures may not be considered as a substitute for measures of performance in accordance with IFRS. Definitions for alternative measures can be found under the title ”Definition for key indicators”.

AUDITOR'S REPORT

TO THE ANNUAL GENERAL MEETING OF QPR SOFTWARE PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of QPR Software Plc (business identity code 0832693-7) for the year ended December 31, 2019. The financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Board of Directors.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 10 to the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Revenue recognition (Refer to Accounting principles for the consolidated financial statements and notes 2 and 3)	
The Group reports revenue from goods and services as follows; software licenses, software maintenance services, cloud services and consulting. The revenue is recognized when the control of the good or service is transferred to the customer, which may be over time or at a point in time. Application of revenue recognition principles requires management judgement especially in identifying performance obligation and stand-alone selling price as well as in analyzing terms and conditions of the contract. The revenue recognition principles and their consistent application have a significant impact on the net sales and profitability as reported by QPR Software Plc. Therefore, the revenue recognition is one of the key areas that our audit is focused on.	We evaluated the revenue recognition principles by reference to applicable financial reporting standards, the Group's accounting practices and contract terms. Our audit procedures included testing of key controls designed to ensure the completeness and accuracy of net sales. We completed detailed testing procedures over revenue contracts that we selected based on size, timing and complexity. In respect of selected contracts, we assessed the identification of performance obligations, tested the accuracy of invoicing and compared revenue transactions recorded with contractual terms and traced them to supporting evidence of delivery. In addition, we have assessed the appropriateness of disclosure information related to revenue recognition in the financial statements.
Valuation of capitalised product development costs (Refer to Accounting principles for the consolidated financial statements and notes 9 and 14)	
Group companies develop software and consulting service products to be used by its customers. The total product development costs capitalised amounted to EUR 0.8 million in the financial year. The capitalised product development costs are amortised over four years on a straight-line basis. The carrying amount, EUR 1.7 million, represents 62 percent of the consolidated equity. Due the significant carrying amount and management judgment involved in determining recoverable amounts and useful lives, valuation of capitalised product development costs is one of the key areas that our audit is focused on.	Our audit procedures included evaluation of the capitalisation principles, testing of the accuracy of cost calculations and assessment of the appropriateness of the amortisation period and amortisation method used. We evaluated calculations prepared by management and the reasonableness of the underlying assumptions, and assessed the forecasts prepared by management by comparing the actual results with the original forecasts. Furthermore, we considered the appropriateness of the Group's notes in respect of intangible assets.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER REPORTING REQUIREMENTS

Information on our audit engagement
We have been the auditors appointed by the Annual General Meeting since 2006, and our appointment represents a total period of uninterrupted engagement of 14 years.

Other Information
The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date. Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations. In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other opinions
We support the adoption of the financial statements. The proposal by the Board of Directors regarding the treatment of distributable funds is in compliance with the Limited Liability Companies Act. We support that the Board of Directors of the parent company and the Managing Director be discharged from liability for the financial period audited by us.

Helsinki, March 10, 2020

KPMG OY AB

KIRSI JANTUNEN
Authorized Public Accountant, KHT

INFORMATION FOR SHAREHOLDERS

THE SHARE OF QPR SOFTWARE PLC

The share of QPR Software Plc is quoted on the main list of the Nasdaq Helsinki, in the Information technology sector, Small Cap segment. The trading started on March 8, 2002.

Trading code
QPR1V

ISIN code
FI0009008668

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Tuesday April 7, 2020 starting at 1:00 p.m. at the Company's headquarters Huopalahdentie 24, 00350 Helsinki, Finland.

A shareholder of the Company that has been entered into the Company's shareholders' register maintained by Euroclear Finland Ltd on March 26, 2020 has the right to participate in the General Meeting.

The shareholder willing to participate in the Annual General Meeting shall inform the Company of the participation on March 31, 2020, at 4.00 p.m. at the latest, in writing to the address QPR Software Plc. Huopalahdentie 24, 00350 Helsinki, by phone to the number +358 50 4361 658, or by email to the address ilmoittautumiset@qpr.com.

The letter or message of participation shall be at the destination prior to the expiry of the registration period. The possible proxies are asked to be delivered in connection with the registration to the address set forth above.

A holder of nominee registered shares has the right to participate in the Annual General Meeting by virtue of such shares, based on which he/she on the record date of the Annual General Meeting, i.e. on March 26, 2020, and would be entitled to be registered in the shareholders' register of the Company held by Euroclear Finland Ltd. The right to participate in the Annual General Meeting requires, in addition, that the shareholder on the basis of such shares has been registered into the temporary shareholders' register held by Euroclear Finland Ltd at the latest by April 2, 2020 by 10:00 a.m. (Finnish time). As regards nominee registered shares this constitutes due registration for the Annual General Meeting.

A holder of nominee registered shares is advised to request without delay all necessary instructions regarding the temporary registration in the shareholder's register of the Company, the issuing of proxy documents and registration for the Annual General Meeting from his/her custodian bank. The account management organization of the custodian bank has to register a holder of nominee registered shares, who wants to participate in the Annual General Meeting, into the temporary shareholders' register of the Company at the latest by April 2, 2020 by 10:00 a.m. (Finnish time), as mentioned above.

CHANGES OF ADDRESSES

If the address of a shareholder changes, we request to contact the custodian bank holding the shareholder's book-entry account.

FINANCIAL INFORMATION IN 2020

In 2020, QPR Software Plc will publish its financial information as follows:

- Interim Report Jan-Mar/2020: Tuesday, April 28, 2020
- Interim Report Jan-Jun/2020: Thursday, July 30, 2020
- Interim Report Jan-Sep/2020: Tuesday, October 27, 2020

The interim reports and all stock exchange bulletins of QPR Software Plc are available on the Investor pages of the Company's Internet pages (www.qpr.com/Investors).

QPR IN GARTNER'S MARKET RESEARCH

During 2019, QPR has been listed in Gartner's 2019 Market Guide for Process Mining and Market Guide for Technologies Supporting a DTO (Digital Twin of an Organization).

Gartner, Market Guide for Technologies Supporting a DTO (Digital Twin of an Organization)

Representative Vendor
Published: 18 December 2019
Analyst(s): Marc Kerremans

Coordinating interdependencies within and across digital business transformation initiatives is challenging yet key to success. A digital twin of an organization helps enterprise architecture and technology innovation leaders prioritize, guide, plan, monitor, analyze and scale complex initiatives.

Gartner, Market Guide for Process Mining

Representative Vendor
Published: 17 June 2019
Analyst(s): Marc Kerremans

New forms of automation (e.g. robotic process automation) and knowledge of the underlying processes/ interactions are key to digital transformation. Process mining helps enterprise architecture and technology innovation leaders assess operations and performance, increasing these initiatives' value.

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