



QPR Software Plc
Interim Report
January-September 2024

QPR Software Plc Interim Report January-September 2024

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QPR Software Plc Interim Report for January-September 2024: The growth in SaaS net sales supports positive development, with profitability improving already for the eighth consecutive quarter compared to the same period last year. The most significant achievement of the third quarter was the signing of a contract with a global luxury brand.

FINANCIAL DEVELOPMENT BRIEFLY

JULY-SEPTEMBER 2024

- SaaS net sales increased by +15%
- Software net sales decreased by -3%
- Net sales was 1,409 thousand euros, down -22% (July-September 2023: 1,806) due to company's discontinuation of consulting outside the core business.
- EBITDA was 269 thousand euros (242), an increase of +11%
- The operating profit was -6 thousand euros (-12), +6 thousand euros change compared to the previous period
- Profit before taxes was -33 thousand euros (-37), +4 thousand euros change compared to the previous period
- The result was -33 euros (-37), +4 thousand euros change compared to the previous period
- Earnings per share was -0.002 euros (-0.002)
- Cash flow from operations 34 thousand euros (-640), +674 thousand euros change compared to the comparison period

JANUARY-SEPTEMBER 2024

- SaaS net sales increased by +15%
- Software net sales increased by +4%
- Net sales was 4,651 thousand euros, down -22% (January-September 2023: 5,951) due to company's discontinuation of consulting outside the core business.
- EBITDA was 745 thousand euros (213), a difference of +532 thousand euros from the comparison period

- The operating profit was -39 thousand euros (-529), a difference +490 thousand euros from the comparison period
- Profit before taxes was -107 thousand euros (-617), a difference +510 thousand euros from the comparison period
- The result was -107 thousand euros (-617), a difference +510 thousand euros from the comparison period
- Earnings/share was -0.006 euros (-0.038)
- Cash flow from operations -226 thousand euros (20), a difference of -246 thousand euros from the comparison period

OUTLOOK FOR 2024

The company monitors the development of the world's economic situation and geopolitical tensions. The slowly budding recovery of economic growth, falling interest rates and normalizing inflation will improve the financial position of customers, and investment decisions can be expected to accelerate towards the end of 2024.

Supported by the current contract base and the projected growth of SaaS (Software as a Service) net sales, QPR expects the growth of SaaS net sales to be double-digit and estimates that the entire software net sales will grow in 2024 (2023: 5,122 thousand euros).

The company expects the operating result to improve significantly in the financial year 2024. The operating result in 2023 was -813 thousand euros.

CEO REVIEW

In the third quarter, we continued to execute our strategy as planned, and the company's turnaround is progressing steadily. We have achieved our eighth consecutive quarter of improved results compared to the same period last year, indicating positive development. However, growth this time was modest, as market recovery has been slower than anticipated. Strengthening customer relationships, expanding our partner network, and acquiring new clients continue to support long-term growth. The most significant achievement of the quarter was securing a contract with a global luxury brand, which selected QPR ProcessAnalyzer to optimize its business processes, solidifying our position as a leader in process mining.

SaaS revenue grew by 15% in July-September, while software revenue decreased by 3%, mainly due to the timing of deals. Overall revenue declined because of our decision to discontinue external consulting services in Finland at the end of 2023. Our positive EBITDA, totaling EUR 269,000, increased by 11% compared to the previous year. The company's result was slightly negative, and the timing of individual deals continues to significantly impact quarterly outcomes. This quarter also saw one-off write-offs related to the relocation of our headquarters, which affected the results.

One of our most significant product development milestones was advancing our flagship product, QPR ProcessAnalyzer, into a native app on the Snowflake Marketplace. This development significantly changes how process mining software is bought and sold, offering our customers using Snowflake cloud services a fast and straightforward way to acquire

software cost-effectively. Our goal is to have our product listed on the Snowflake Marketplace by the end of October.

At the core of our strategy is the development of our international partner network. In the first half of the year, we established several key partnerships in the United States, which have led to active sales efforts to attract new customers. We continue to seek new potential partners, and the EDGE 2024 Supply Chain Conference held in Nashville in September was an important part of this strategy.

The market situation in the Middle East also showed positive development in the third quarter. Our strong partner network and growing interest in our process mining solutions provide excellent opportunities for expanding our market share. Snowflake has acquired several customers in the region, which also presents us with new opportunities to expand in this market.

Our focus now turns to the final quarter of the year, where we plan to leverage our strengths and focus on securing deals effectively. Despite challenges in the business environment, we believe in our innovations and strategic partnerships that support the company's long-term growth goals.

QPR appointed Taru Mäkinen as CFO in July, and under her leadership, our financial processes are being developed to support our growth strategy. Additionally, Antti Kivalo started as the company's new Sales Director at the beginning of September.

I would like to extend my warmest thanks to our customers, partners, and investors for their trust. A special thank you also to all our employees for their hard work towards the success of our company.

Heikki Veijola

CEO

KEY FIGURES

EUR in thousands, unless otherwise indicated	July-Sept, 2024	July-Sept, 2023	Change, %	Jan-Sept, 2024	Jan-Sept, 2023	Change, %	Jan-Dec, 2023
Net sales	1,409	1,806	-22	4,651	5,951	-22	7,550
EBITDA	269	242	11	745	213	249	182
% of net sales	19.1	13.4		16.0	3.6		2.4
Operating result	-6	-12	55	-39	-529	93	-813
% of net sales	-0.4	-0.7		-0.8	-8.9		-10.8
Result before tax	-33	-37	11	-107	-617	83	-924
Result for the period	-33	-37	11	-107	-617	83	-924
% of net sales	-2.4	-2.1		-2.3	-10.4		-12.2

Earnings per share, EUR (basic and diluted)	-0.002	-0.002	<i>11</i>	-0.006	-0.038	<i>84</i>	-0.055
Equity per share, EUR	0.018	0.036	<i>-48</i>	0.019	0.036	<i>-48</i>	0.020
Cash flow from operating activities	34	-640	<i>105</i>	-226	20	<i>-1,202</i>	850
Cash and cash equivalents	99	181	<i>-46</i>	99	181	<i>-45</i>	885
Net borrowings	1,513	1,639	<i>-8</i>	1,513	1,639	<i>-8</i>	934
Gearing, %	451.3	257.2	<i>75</i>	451.3	257.2	<i>75</i>	268.3
Equity ratio, %	11.0	13.7	<i>-20</i>	11.0	13.7	<i>-20</i>	8.1
Return on equity, %	-38.6	-49.7	<i>22</i>	-41.8	-146.4	<i>71</i>	-221.5
Return on investment, %	-6.3	-11.6	<i>23</i>	-9.0	-35.9	<i>75</i>	-42.0

REPORTING AND BUSINESS OPERATIONS

QPR Software Plc is a pioneer in business process optimization solutions and has positioned itself as a leading player in Digital Twin of an Organization (DTO) technology and one of the most advanced process mining software companies in the world.

QPR innovates, develops, and delivers software for analyzing, monitoring and modeling the operations of organizations. The company also offers consulting services to ensure that customers get full value from the software and associated methods.

QPR Software reports one business segment, which is Organizational 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.

The company's reported recurring revenues consist of SaaS net sales, maintenance services, as well as revenue from renewable licenses. Licenses are sold to customers for perpetual use or for an agreed, limited period. The revenue from SaaS and maintenance services is recorded monthly as recurring revenue over the contract period.

Renewable software licenses are sold to customers as a user right with an indefinite-term contract. These contracts are automatically renewed at the end of the agreed period, usually one year, unless the agreement is terminated within the notice. Renewable license revenue is recognized at one point in time, in the beginning of the invoicing period, yet at the earliest on the delivery.

The geographical areas reported are Finland, the rest of Europe (including Turkey), and the rest of the world. Net sales are reported according to the location of the customer's headquarters. Until 2023, the company provided consulting services, predominantly to public administration, which were unrelated to its core business. In the end of 2023, the company discontinued these activities. In the future, the company will prioritize offering consulting services tailored to the software it develops, aiming to deliver maximum added value to its customers.

The company began reporting the production costs of the cloud platform within the materials and services expense category starting from 2024. The figures for the comparative period will be presented at the end of this interim report's table section, according to both reported and 2024 cost groupings.

NET SALES DEVELOPMENT

NET SALES BY PRODUCT GROUP

EUR in thousands	July-Sept, 2024	July- Sept, 2023	Change, %	Jan-Sept, 2024	Jan-Sept, 2023	Change, %	Jan-Dec, 2023
Software licenses	85	174	-51	406	383	6	485
Renewable software licenses	43	78	-45	334	453	-26	504
Software maintenance services	430	428	0	1,268	1,272	0	1,720
SaaS	673	585	15	2,020	1,754	15	2,371
Consulting	179	541	-67	623	2,089	-70	2,469
Total	1,409	1,806	-22	4,651	5,951	-22	7,550

NET SALES BY GEOGRAPHIC AREA

EUR in thousands	July-Sept, 2024	July-Sept, 2023	Change, %	Jan-Sept, 2024	Jan-Sept, 2023	Change, %	Jan-Dec, 2023
Finland	555	793	-30	1,881	2,799	-33	3,499
Europe incl. Turkey	623	702	-11	2,026	2,398	-16	3,128
Rest of the world	232	310	-25	745	754	-1	923
Total	1,409	1,806	-22	4,651	5,951	-22	7,550

JULY-SEPTEMBER 2024

The net sales for July to September was 1,409 thousand euros (1,806), and it decreased by 22% compared to the same period last year. The group discontinued consulting services outside our core business in Finland at the end of 2023. The proportion of recurring revenue in the total revenue increased from 56 percent to 79 percent.

SaaS net sales, which is at the core of our strategy, grew by 15%, and software net sales decreased by 3% during July-September.

The software license net sales was 85 thousand euros (174), representing a 51% decrease. The decline was due to larger individual new license deals in the comparison period, which exceeded the new license deals reported in the current period. Expansions with existing customers partially offset the lower new customer license sales. The net sales mainly consisted of additional sales through partner transactions and to existing and new customers, additional sales to existing direct customers, as well as the expansion of the partner network, which brought new commercial opportunities and customer relationships.

The net sales from renewable software licenses was 43 thousand euros (78), a decrease of 45%. This decline was primarily due to the expiration of individual customer contracts and the earlier renewal timing, partially offset by new customer acquisitions and price increases made in response to inflationary pressures.

The net sales from software maintenance services amounted to 430 thousand euros (428). The net sales was positively impacted by Middle Eastern customers transitioning to a software maintenance model, increased maintenance revenue from new license acquisitions, and winning back lost customers. Additionally, price increases to counter inflationary pressures and favorable exchange rate effects contributed to the net sales growth. However, the growth was offset by customer churn and a decline in revenue from certain individual customers.

SaaS net sales grew by 15% and amounted to 673 thousand (585). The growth was primarily driven by new customer acquisitions, the expansion of existing customer relationships, and price increases to counter inflationary pressures. On the other hand, customer churn and a decrease in revenue from individual clients had a negative impact on the overall SaaS revenue development.

Net sales from consulting was 179 thousand euros (541), a 67% decrease due to the company's discontinuation of consulting services outside its core business in Finland. During the comparison period, the company had a large customer project in Europe, but no similar project occurred in this reporting period.

The Group's net sales was 39 % (44) from Finland, 44% (39) from the rest of Europe (including Turkey) and 17 % (11) from the rest of the world.

JANUARY-SEPTEMBER 2024

The net sales January-September was 4,651 thousand euros (5,951), and it decreased by 22 % compared to the same period last year. This decline is due to the company's decision to discontinue non-core consulting services in Finland at the end of 2023. The proportion of recurring revenue of the total revenue increased from 51 percent to 71 percent.

Our SaaS net sales, which is at the core of our strategy, grew by 15%, and software net sales grew by 4% in the January-September period. The proportion of software net sales in the total net sales grew from 65 percent to 87 percent.

The net sales from software licenses was 406 thousand euros (383) and it grew by 6%. The growth was primarily driven by an increase in partner sales volume, particularly among customers in the Middle East, as well as the expansion with a global pharmaceutical company in accordance with a previous agreement. Additionally, the company achieved broader success in partner sales across multiple geographical regions.

The net sales from renewable software licenses amounted to 334 thousand euros (453), a decrease of 26%. The decline was driven by several factors, including customer churn, individual customers transitioning to a SaaS service model, and negative currency exchange effects. These factors were partially offset by new customer acquisitions and price increases implemented to counter inflationary pressure.

The net sales from software maintenance services amounted to 1,268 thousand euros (1,272). The decline in net sales was negatively impacted by customer churn, a decrease in revenue from individual customers, and, to a lesser extent, the transition of existing customers to the SaaS service model. The decline was partially offset by the expansion of cooperation with existing customers, the inclusion of Middle Eastern customers' projects under maintenance services, new customer contracts, and the previously agreed expansion with a global pharmaceutical company. Additionally, price increases to counter inflationary pressures and favorable currency exchange rate effects contributed to net sales growth.

SaaS net sales grew by 15% to 2,020 thousand euros (1,754). The growth was primarily driven by the expansion of existing customer relationships and successes in acquiring new customers. The shift of customers from licenses to the SaaS service model and, to some extent, price increases due to inflationary pressures also contributed to the growth. On the other hand, fluctuations in exchange rates and customer churn had a negative impact on the development of SaaS net sales.

Consulting revenue was 623 thousand euros (2,089), a decrease of 70%, following the company's discontinuation of consulting services outside its core business in Finland. Additionally, the company recognized revenue from fixed-price projects in the Middle East according to their completion status during the first half of 2023. These projects were completed in the second quarter of the same year. In the comparison period, the company had a large customer project in Europe, but there was no similar project during this reporting period.

The Group's net sales was 40% (49) from Finland, 44% (40) from the rest of Europe (including Turkey) and 16 % (11) from the rest of the world.

FINANCIAL DEVELOPMENT

JULY-SEPTEMBER 2024

The group's EBITDA for July-September was 269 thousand euros (242), an improvement of 27 thousand euros compared to the previous year. The operating profit was -6 thousand euros (-12), an increase of 6 thousand euros compared to the reference period. The season's result was -33 thousand euros (-37).

The active measures implemented by the company in 2023 to improve cost structure and enhance business profitability are already partially visible in the first half of 2024 and to be fully realized by the third quarter.

The Group's variable costs amounted to 210 thousand euros (240). The decrease in costs was mainly due to lower partner commissions, resulting from lower software license sales through partners compared to the reference period.

The company's fixed expenses amounted to 931 thousand euros (1,324), a decrease of 30% compared to the same period last year. This decrease was due to savings programs implemented in the second and final quarters of 2023, as well as reduced personnel expenses resulting from change negotiations. The full impact of the cost-saving measures materialized starting from the third quarter of 2024. The effect of these savings was partially offset by lower product development capitalizations, investments in reorganizing the company's operational activities, and a one-time write-off of 24 thousand euros related to the company's headquarters relocation.

Earnings per share were -0.002 euros (-0.002) per share.

JANUARY-SEPTEMBER 2024

The Group's EBITDA for January–September was 745 thousand euros (213), an increase of 532 thousand euros compared to the previous year. The operating result was -39 thousand euros (-529), showing an improvement of 490 thousand euros compared to the same period last year. The result for the period was -107 thousand euros, which is a significant improvement from the previous year (-612).

The active measures implemented by the company in 2023 to improve cost structure and develop business profitability are already partially visible in the first quarter of 2024 and fully realized by the third quarter.

The Group's variable costs amounted to 693 thousand euros (1,013). The decrease in expenses was primarily due to the completion of challenging fixed-price software delivery projects in the Middle East during the second quarter of 2023. This completion significantly reduced the need for external services, further lowering costs.

The company's fixed expenses amounted to 3,214 thousand euros (4,726 thousand), a decrease of 32% compared to the same period last year. This decrease was driven by cost-saving programs implemented in the second and final quarters of 2023, as well as lower personnel expenses resulting from the outcomes of change negotiations. The full impact of the cost-saving measures realized starting from the third quarter of 2024. The effect of these savings was partially offset by lower R&D capitalizations and investments required for the reorganization of the company's operational activities.

Earnings per share were EUR -0.006 (-0.038) per share.

FINANCE AND INVESTMENTS

The cash flow from operations during the review period amounted to -226 thousand euros (20). The main reason for this change compared to the comparable period was successful collection

in the last quarter of 2023, particularly regarding the advanced license payments for 2024. A larger portion of the prepayments was collected in the final quarter of 2023, leading in lower cash flow from annual licenses in the first quarter of 2024. Annual billing is mostly concentrated around the end of the year, making it seasonal.

The change in working capital was affected by higher sales commissions paid to the company's personnel for 2023, as well as holiday compensation for employees who left due to the change negotiations. The negative cash flow was also due to the fact that the largest new deals occurred in a market where payment behavior is slow.

The positive cash flow from operations in the third quarter was driven by successful receivables collection and lower costs. Compared to the same period last year, a significant reduction in expenses is a key reason for the clear improvement in operational cash flow. During the comparison period, the company conducted a directed share issue, resulting in significantly higher cash flow from financing activities.

Net financial expenses amounted to 19 thousand euros (30), including exchange losses of 1 thousand euros (4).

Investments totaled 357 thousand euros (511), and those were mainly research and development investments.

The company's financing net cash flow for the period January to September was -318 thousand euros (656). The negative net cash flow was primarily due to the company reducing its loan by 500 thousand euros and having a credit limit in use. Additionally, during the comparison period, the company raised 760 thousand euros through a directed share issue.

The group's financial situation is fair. At the end of the review period, the group's cash and cash equivalents were 99 thousand euros (181). Short-term receivables were 1,290 thousand (1,468).

Euro-denominated receivables accounted for 68%, and 68% of invoices had not yet matured. Of the total amount of short-term receivables, the share of 1-30 days overdue receivables was 16%, 30-60 days 11% and more than 60 days 5%.

The group has a credit limit of 500,000 euros available.

At the end of the review period, the group had a bank loan of EUR 1,000 thousand, of which 500 thousand euros was long-term. In accordance with the original financing agreement, the first installment of EUR 0.5 million was due on January 31, 2024. After this, installments of EUR 0.5 million will mature annually in January 2025 and 2026. The covenants related to the loan are based on the company's EBITDA and equity ratio. The EBITDA of the covenants is tested every six months, and the equity ratio is tested annually according to the situation on the last day of the year. The EBITDA exceeded the agreed covenant limit for the first half of the year.

The company's free cash flow, including operating and investment cash flows, and office lease costs totaled -37 thousand euros (-735) in the third quarter. The significant improvement in free cash flow is due to both lower operating expenses and enhanced receivables collection. From January to September, free cash flow was -486 thousand euros (-595). The change was influenced by shifts in the timing of operating cash flows, which were mitigated by a significant decrease in investment cash flows and lower paid office lease costs.

The equity ratio was 11%, lower than the comparison period (14%) due to a loss of -307 thousand euros in the final quarter of 2023 and a -107 thousand euros loss for the reporting

period, January to September. Additionally, the new lease agreement signed in June 2024 negatively impacts the company's equity ratio, as the IFRS 16 interest effect increases the lease liability by approximately 100 thousand euros.

PRODUCT DEVELOPMENT

QPR has positioned itself as a leading player in Digital Twin of an Organization (DTO) technology. The company innovates and develops software products that analyze, measure, and model the operations of organizations. The Company develops the following software products: QPR ProcessAnalyzer, QPR EnterpriseArchitect, QPR ProcessDesigner, and QPR Metrics.

In the third quarter of the year, product development expenses amounted to 183 thousand euros (248), and 69 thousand euros (80) of development costs were capitalized on the balance sheet. Product development depreciation was recorded at 228 thousand euros (220). The amortization period for capitalized development costs is four years.

PERSONNEL

At the end of the review period, the group employed 29 people (52). The average number of personnel in April-June was 28 (60).

The average age of the personnel is 45 (47) years. Women account for 23% (23) of employees, and men for 77% (76). Of all personnel, 21% (16) work in sales and marketing, 32% (31) in consulting and customer care, 40% (42) in product development, and 7% (11) in administration.

Personnel expenses were 2,499 thousand euros (4,085), of which the share of salaries and bonuses was 2,127 thousand euros (3,406).

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

SHARES AND SHAREHOLDER

Trading of shares	Jan-Sept, 2024	Jan-Sept, 2023	Change, %	Jan-Dec, 2023
Shares traded, pcs	3,407,075	1,729,586	97	3,538,455
Volume, EUR	1,685,250	898,702	88	1,585,931
% of shares	19.0	9.7	96	19.8
Average trading price, EUR	0.49	0.52	-5	0.45
Average trading value per day, EUR	8,917	4,755	88	6,318
Treasury shares acquired during the year, pcs	0	0	0	0
Shares and market capitalization	Sept 30, 2024	Sept 30, 2023	Change, %	Dec 31, 2023

Total number of shares, pcs	18,175,192	18,175,192	0	18,175,192
Treasury shares, pcs	256,849	339,471	-24	339,471
Book counter value, EUR	0.11	0.11	-	0.11
Outstanding shares, pcs	17,918,343	17,835,721	0	17,835,721
Number of shareholders	2,117	1,863	14	1,943
Closing price, EUR	0.60	0.39	54	0.33
Market capitalization, EUR	10,751,006	6,938,095	55	5,957,131
Book counter value of all treasury shares, EUR	28,253	37,342	-24	37,342
Total purchase value of all treasury shares, EUR	244,349	347,552	-30	347,552
Treasury shares, % of all shares	1.4	1.9	-26	1.9

GOVERNANCE

The Annual General Meeting of QPR Software Plc was held on May 15, 2024, in Helsinki. The General Meeting adopted the Company's financial statements for the financial year 2023 and discharged the members of the Board of Directors and the CEO from liability. The General Meeting resolved that no dividend be paid based on the balance sheet adopted for the financial year ended on December 31, 2023, and adopted the Company's Remuneration Report and Remuneration Policy. Further, the General Meeting resolved to authorize the Board of Directors to decide on share issues and on the issue of other special rights entitling to shares as well as on the acquisition of own shares.

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

The General Meeting adopted the Company's financial statements and discharged the members of the Board of Directors and the CEO from liability for the financial period January 1 – December 31, 2023. The General Meeting resolved that no dividend be paid based on the balance sheet adopted for the financial year ended on December 31, 2023.

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

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

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

Board of Directors and Auditor

The General Meeting confirmed that the number of Board members is four (4). Pertti Ervi was re-elected as the Chairman of the Board of Directors and Antti Koskela and Jukka Tapaninen were re-elected as members of the Board of Directors. Linda von Schantz was elected as a new member of the Board of Directors.

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

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

The General Meeting resolved to authorize the Board of Directors to decide on issuances of new shares and conveyances of the own shares held by the Company (share issue) either in one or more instalments. The share issues can be carried out against payment or without consideration on terms to be determined by the Board of Directors. The authorization also includes the right to issue special rights referred to in Chapter 10, Section 1 of the Finnish Companies Act, which entitle to the Company's new shares or own shares held by the Company against consideration. Based on the authorization, the maximum number of new shares that may be issued and own shares held by the Company that may be conveyed in share issues or on the basis of special rights is 6,361,317 shares. The authorization includes the right to deviate from the shareholders' pre-emptive subscription right. The authorization is in force until the next Annual General Meeting.

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

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

SHORT-TERM RISKS AND UNCERTAINTIES

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

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

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

Approximately 68% of the Group's trade receivables were in euros at the end of the quarter (79%). At the end of the quarter, the Company had not hedged its non-euro trade receivables.

EVENTS AFTER THE REVIEW PERIOD

No events after the review period.

QPR SOFTWARE PLC

BOARD OF DIRECTORS

For further information:

Heikki Veijola

Chief Executive Officer

QPR Software Plc

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QPR Software in Brief

QPR Software (Nasdaq Helsinki) is a leading player in the Digital Twin of an Organization (DTO) use case and one of the most advanced process mining software companies in the world. The company innovates, develops, and delivers software for analyzing, monitoring, and modeling organizational operations. Additionally, QPR provides consulting services to ensure its customers derive full benefits from the software and associated methodologies.

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Key medias

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INTERIM REPORT JANUARY-SEPTEMBER

QPR Software's Board of Directors has approved this interim report for January 1–September 30, 2024, to be published.

The financial figures for the full fiscal year 2023 presented in the interim report have been audited. The interim report financial figures are unaudited.

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

EUR in thousands, unless otherwise indicated	July-Sept, 2024	July-Sept, 2023	Change, %	Jan-Sept, 2024	Jan-Sept, 2023	Change, %	Jan-Dec, 2023
Net sales	1,409	1,806	-22	4,651	5,951	-22	7,550
Other operating income	-	-	-	-	1	-	1
Materials and services	210	240	-13	693	1,013	-32	896
Employee benefit expenses	658	1,056	-38	2,499	4,085	-39	5,287
Other operating expenses	273	268	2	714	640	12	1,186
EBITDA	269	242	11	745	213	249	182
Depreciation and amortization	274	254	8	784	743	6	995
Operating result	-6	-12	55	-39	-530	93	-813
Financial income and expenses	-28	-25	-12	-68	-87	22	-111
Result before tax	-33	-37	11	-107	-617	83	-924
Income taxes	-	-	-	0	-	0	-
Result for the period	-33	-37	11	-107	-617	83	-924
Earnings per share, EUR (basic and diluted)	-0.002	-0.002	11	-0.006	-0.038	84	-0.055
Consolidated statement of comprehensive income:							
Result for the period	-33	-37	11	-107	-617	83	-924
Exchange differences on translating foreign operations	3	-	-	2	1	100	1
Total comprehensive income	-30	-37	19	-105	-616	83	-925

CONDENSED CONSOLIDATED BALANCE SHEET

EUR in thousands	Sept 30, 2024	Sept 30, 2023	Change, %	Dec 31, 2023
Assets				
Non-current assets:				
Intangible assets	1,788	2,357	-24	2,245
Goodwill	358	358	0	358
Tangible assets	30	95	-69	81
Right-of-use assets	393	320	23	318
Other non-current assets	277	277	0	277
Total non-current assets	2,847	3,407	-16	3,279
Current assets:				
Trade and other receivables	1,782	1,896	-6	1,706
Cash and cash equivalents	100	181	-45	884
Total current assets	1,881	2,077	-9	2,590
Total assets	4,728	5,484	-14	5,869
Equity and liabilities				
Equity:				
Share capital	80	80	0	80
Other funds	21	21	1	21
Treasury shares	-244	-348	-30	-348
Translation differences	-68	-67	-1	-67
Invested non-restricted equity fund	4,925	4,925	0	4,925
Retained earnings	-4,379	-3,974	-10	-4,263
Equity attributable to shareholders of the parent company	335	637	-47	348
Total equity	335	637	-47	348
Non-current liabilities:				
Interest-bearing liabilities	500	1,000	-50	1,000
Interest-bearing lease liabilities	386	209	85	192
Total non-current liabilities	886	1,209	-27	1,192

Current liabilities:				
Provisions	-	-	-	-
Interest-bearing liabilities	697	500	39	500
Interest-bearing lease liabilities	29	110	-73	126
Advances received	1,169	841	39	1,558
Accrued expenses and prepaid income	1,102	1,496	-26	1,539
Trade and other payables	511	690	-26	607
Total current liabilities	3,507	3,638	-4	4,329
Total liabilities	4,393	4,847	-9	5,521
Total equity and liabilities	4,728	5,484	-14	5,869

CONSOLIDATED CONDENSED CASH FLOW STATEMENT

EUR in thousands	July- Sept, 2024	July- Sept, 2023	Change, %	Jan- Sept, 2024	Jan- Sept, 2023	Change, %	Jan-Dec, 2023
Cash flow from operating activities:							
Result for the period	-33	-37	10	-107	-555	81	-924
Adjustments to the result	381	264	44	962	745	29	1,078
Working capital changes	-282	-791	64	-1,001	-54	-1,755	821
Interest and other financial expenses paid	-32	-74	-57	-79	-104	-24	-107
Income taxes paid	-	-2	-	-	-11	-	-19
Net cash from operating activities	34	-640	105	-226	20	-1,228	849
Cash flow from investing activities:							
Purchases of tangible and intangible assets	-68	-80	-15	-246	-512	-52	-620
Proceeds from sales of tangible and intangible assets	6	-	-	6	-	-	-
Net cash used in investing activities	-62	-80	22	-240	-512	53	-620
Cash flow from financing activities:							
Proceeds from short term borrowings	102	-	-	1,197	1,500	-20	1,500

Repayments of short term borrowings	-	-	-	-1,500	-1,500	0	-1,500
Payment of lease liabilities	-3	-15	-81	-15	-103	-86	-121
Share issue net	-	760	-	-	760	-	760
Net cash used in financing activities	99	745	-87	-318	656	-149	639
Net change in cash and cash equivalents	70	26	-169	-784	164	578	868
Cash and cash equivalents at the beginning of the period	31	156	-80	884	17	5,100	17
Effects of exchange rate changes on cash and cash equivalents	-2	-	-	-1	-	-	-
Cash and cash equivalents at the end of the period	99	181	-46	99	181	-45	884

*Including non-interest bearing short term liabilities related to cash flow for investment

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR in thousands	Share capital	Other funds	Translation differences	Treasury shares	Invested non-restricted equity fund	Retained earnings	Total
Equity Jan 1, 2023	1,359	21	-66	-406	2,943	-3,364	487
Stock option scheme						36	36
Reduction of share capital	-1,279				1,279		0
Disposal of own shares				58		-10	48
Share issue, net					703		703
Comprehensive income			-1			-924	-925
Equity Dec 31, 2023	80	21	-67	-348	4,925	-4,263	348
Stock option scheme						46	46
Reduction of share capital							0
Disposal of own shares				103		-55	48
Share issue, net							0
Comprehensive income			-2			-107	-109
Equity Sept 30, 2024	80	21	-68	-244	4,925	-4,379	335

NOTES TO INTERIM FINANCIAL STATEMENTS

ACCOUNTING PRINCIPLES

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

The interim report does not contain full notes and other information presented in the financial statements, and therefore the interim report should be read in conjunction with the Financial Statements Bulletin published for 2023.

In preparing the interim report, the same accounting principles have been followed as in the 2023 annual financial statements, except for new standards and standard amendments that came into effect starting January 1, 2024. The new standards and standard amendments had no significant impact on QPR Software's consolidated financial statements.

The company began reporting the production costs of the cloud platform within the materials and services expense category starting from 2024. The figures for the comparative period will be presented at the end of this interim report's table section, according to both reported and 2024 cost groupings.

Considering the company's financial position, this financial statement has been prepared on a going concern basis. The company entered into a refinancing agreement in January 2023.

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

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

INTANGIBLE AND TANGIBLE ASSETS

EUR in thousands	Jan-Sept, 2024	Jan-Sept, 2023	Jan-Dec, 2023
Increase in intangible assets:			
Acquisition cost Jan 1	14,836	14,217	14,217
Increase	246	512	619
Acquisition cost at the end of the period	15,082	14,729	14,836
Increase in tangible assets:			
Acquisition cost Jan 1	2,816	2,816	2,816
Increase	111	-	-
Acquisition cost at the end of the period	2,927	2,816	2,816

CHANGES IN INTEREST-BEARING LIABILITIES

EUR in thousands	Jan-Sept, 2024	Jan-Sept, 2023	Jan-Dec, 2023
Interest-bearing liabilities Jan 1	1,818	2,279	2,279
Proceeds from borrowings	1,197	1,500	1,500
IFRS 16 – change in lease liability	97	-335	-319
Repayments	1,500	1,623	1,641
Acquisition cost at Sept 30	1,612	1,820	1,818

PLEDGES AND COMMITMENTS

EUR in thousands	Sept 30, 2024	Sept 30, 2023	Change, %	Dec 31, 2023
Business mortgages (held by the Company)	2,382	2,381	0	2,382
Minimum lease payments based on lease agreements:				
Maturing in less than one year	30	30	-1	30
Maturing in 1-5 years	3	34	-90	27
Total	34	65	-48	57
Total pledges and commitments	2,416	2,445	-1	2,439

CONSOLIDATED INCOME STATEMENT BY QUARTER (2023 RESTATED)

EUR in thousands	July-Sept, 2024	April-June, 2024	Jan-Mar, 2024	Oct-Dec, 2023	July-Sept, 2023
Net sales	1,409	1,473	1,769	1,599	1,806
Other operating income	-	-	-	-	-
Materials and services	210	223	260	229	240
Employee benefit expenses	658	820	1,021	1,202	1,056
Other operating expenses	273	249	193	199	268
EBITDA	269	181	295	-31	242

Depreciation and amortization	274	247	263	252	254
Operating result	-6	-66	32	-283	-12
Financial income and expenses	-28	-21	-20	-24	-25
Result before tax	-33	-87	13	-307	-37
Income taxes	-	-	-	-	-
Result for the period	-33	-87	13	-307	-37

CONSOLIDATED INCOME STATEMENT BY QUARTER (2023 AS PUBLISHED)

EUR in thousands	July-Sept, 2024	April-June, 2024	Jan-Mar, 2024	Oct-Dec, 2023	July-Sept, 2023
Net sales	1,409	1,473	1,769	1,599	1,806
Other operating income	-	-	-	-	-
Materials and services	210	223	260	134	147
Employee benefit expenses	658	820	1,021	1,202	1,056
Other operating expenses	273	249	193	294	361
EBITDA	269	181	295	-31	242
Depreciation and amortization	274	247	263	252	254
Operating result	-6	-66	32	-283	-12
Financial income and expenses	-28	-21	-20	-24	-25
Result before tax	-33	-87	13	-307	-37
Income taxes	-	-	-	-	-
Result for the period	-33	-87	13	-307	-37

GROUP KEY FIGURES

EUR in thousands, unless otherwise indicated	Jan-Sept or Sept 30, 2024	Jan-Sept or Sept 30, 2023	Jan-Dec or Dec 31, 2023
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Net sales	4,651	5,951	7,550
Net sales growth, %	-21.8	4.8	-3.5
EBITDA	745	213	182
% of net sales	16.0	3.6	2.4
Operating result	-39	-530	-813
% of net sales	-0.8	-8.9	-10.8
Result before tax	-107	-617	-924
% of net sales	-2.3	-10.4	-12.2
Result for the period	-107	-617	-924
% of net sales	-2.3	-10.4	-12.2
Return on equity (per annum), %	-41.8	-146.4	-221.5
Return on investment (per annum), %	-9.0	-35.9	-42.0
Cash and cash equivalents	99	181	885
Net borrowings	1,513	1,639	934
Equity	335	637	348
Gearing, %	451	257	268
Equity ratio, %	11.0	13.7	8.1
Total balance sheet	4,728	5,484	5,869
Investments in non-current assets	357	511	637
% of net sales	7.7	8.6	8.4
Product development expenses	740	1,113	1,427
% of net sales	15.9	18.7	18.9
Average number of personnel	39	60	57
Personnel at the beginning of period	49	85	85
Personnel at the end of period	30	52	49
Earnings per share, EUR (basic and diluted)	-0.006	-0.038	-0.055
Equity per share, EUR	0.019	0.036	0.020