

QPR Software Plc's Financial Statements Bulletin: January– December 2023

QPR SOFTWARE PLC

STOCK EXCHANGE RELEASE

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QPR Software Plc's Financial Statement Bulletin 2023: SaaS net sales grew by 36%, and software business by 8%. Net sales decreased by 3% due to the discontinuation of consulting outside the core business in Finland. The strategy was adjusted. A significant improvement in EBITDA and cash flow turned positive.

FINANCIAL DEVELOPMENT BRIEFLY

OCTOBER-DECEMBER 2023

- SaaS net sales increased by +21% (53%)
- Net sales was 1,599 thousand euros, down -25% (October-December 2022: 2,142) due to company's discontinuation of consulting outside the core business
- EBITDA was -30 thousand euros (-430), a change from the comparison period of 400 thousand
- The operating profit was -283 thousand euros (-681), a change from the comparison period of 398 thousand
- Profit before taxes was -307 thousand euros (-745), change from the comparison period 438 thousand
- The result was -307 thousand euros (-748), a change from the comparison period of 441 thousand
- Earnings/share was -0.017 euros (-0.047)
- Cash flow from operations EUR 829 thousand (244)

JANUARY-DECEMBER 2023

- SaaS revenue increased by +36% (January-December 2022: +35%)
- Net sales was 7,550 thousand euros and a decrease of 3% (7,823) as the company focused on its core business
- EBITDA was 182 thousand euros (- 1,753), change from the comparison period 1,935 thousand

- The operating result was – 813 thousand euros (- 2,770), change to the comparison period 1,957 thousand
- The result before taxes was -924 thousand euros (-2,864), a change from the comparison period of 1,940 thousand
- The result was -924 thousand euros (-2,686), a change from the comparison period of 1,943 thousand
- Earnings/share was -0.055 euros (-0.202)
- Cash flow from operations EUR 849 thousand (-1,765)
- The company has reconciled the entries of the option calculation for the first quarter, resulting in the EBITDA decreasing from 26 thousand euros to -36 thousand euros. The financial figures have therefore been reconciled for the entire year.

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:

"The year 2023 was a turning point for QPR in many ways, and despite the challenging operating environment, we achieved improvement in results as a whole. The changes we made produced significant results with the company's profitability, cost and organizational structure, refined strategy and focus on core business.

SaaS net sales, which is at the core of our strategy, continued to grow by 36% in January-December. The group's total net sales decreased by 3% due to discontinuation of consulting services outside the core business in Finland. Our software business grew by 8%. EBITDA improved significantly and was 182 thousand euros, an improvement of approximately two million euros compared to the comparison period. In addition, the operating cash flow grew to 849 thousand euros, while in 2022 it was about two million euros negative. The group's total free cash flow was 108 thousand euros and it improved approximately by 3.5 million euros.

In supporting the transformation efforts, the company organized a directed share issue in the third quarter. This infusion strengthened its capital and financial position, resulting in gross assets of approximately 800 thousand euros. This shows confidence in the company's turnaround trajectory and supports the execution of its strategic initiatives.

QPR Software's mission is to innovate, develop and deliver software for analyzing, monitoring, and modeling the operations of organizations. QPR was named a visionary in the 2023 Magic Quadrant™ for Process Mining Tools study published by Gartner in March. In July 2023, Business Finland granted

QPR a research grant for the further development of the artificial intelligence and machine learning features of our process mining technology.

In September, we announced the company's new positioning as a leading player in Digital Twin of an Organization (DTO) technology. QPR is the only player in the market whose product portfolio includes all the different areas of the DTO solution for process mining, modeling and managing strategy and digital transformation. With this, the company streamlined its product portfolio to focus exclusively on its core business as a software and SaaS provider, also offering customized consulting services. The new positioning improves the customer experience, increases the value we already produce for our customers and effectively responds to the environment's rapidly changing needs. The change in strategic focus also gives QPR the opportunity to utilize our strengths more effectively, adapt to market dynamics and achieve sustainable success in our chosen market segments.

The market is typically dominated by large companies with extensive resources and an established reputation. The compact structure is our hidden strength and QPR has established strong, sustainable customer and partner relationships with industry giants. This indicates the quality and reliability of our products and services. Our agility allows us to quickly adapt to changing market demands, and to offer individual attention to our customers. We managed to win new customers and expand cooperation with our existing customers. In addition, we also won back customers who had switched to our competitors in the meantime. Our agile delivery, personalized service, and excellent return on investment (ROI) and lower total cost of ownership (TCO) attracted users of competing products.

The outlook for our presence in the Middle East market developed positively. The negative effects of fixed-price software delivery projects, which were sold in prior years, on the company's business and profitability in 2022 and early 2023 were fully completed during the second quarter of 2023. QPR is known in the market as a visible and reputable vendor with a strong partner network. In October, we concluded the first process mining SaaS contract in this market with a local investment and finance company. Demand for our products has been strong at the start of 2024.

One key goal during 2023 was to strengthen our global partner network, in addition to increasing software sales and improving profitability. An important step in this endeavor was to find potential partners for the US market. Our process mining software, QPR ProcessAnalyzer, stands out globally as the sole software capable of running directly on the Snowflake Data Cloud. A substantial part of Snowflake's clientele is in the US market. We expect to be able to report on progress in early 2024.

We are entering the year 2024 with a positive and confident mind. The market for process mining and the adoption of digital solutions in company business development continue to experience robust growth. I see many unique and exciting opportunities in our industry. 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. We expect the operating results to improve in the 2024 financial year.

I would like to warmly thank our customers, partners, QPR investors and shareholders for their trust in QPR during 2023. I would also like to thank all our employees for their dedication and hard work for the company's future and success."

Heikki Veijola

Chief Executive Officer

KEY FIGURES

EUR in thousands, unless otherwise indicated	Oct-Dec, 2023	Oct-Dec, 2022	Change, %	Jan-Dec, 2023	Jan-Dec, 2022	Change, %
Net sales	1,599	2,142	-25	7,550	7,823	-3
EBITDA	-31	-430	93	182	-1,753	110
% of net sales	-1.9	-20.1		2.4	-22.4	
Operating result	-283	-681	58	-813	-2,770	71
% of net sales	-17.7	-31.8		-10.8	-35.4	
Result before tax	-307	-745	59	-924	-2,864	68
Result for the period	-307	-748	59	-924	-2,868	68
% of net sales	-19.2	-34.9		-12.2	-36.7	
Earnings per share, EUR (basic and diluted)	-0.017	-0.047	63	-0.055	-0.202	73
Equity per share, EUR	0.019	0.030	-35	0.020	0.030	-34
Cash flow from operating activities	829	244	240	849	-1,798	147
Cash and cash equivalents	884	17	5,256	884	17	5,255
Net borrowings	934	2,262	-59	934	2,262	-59
Gearing, %	268.3	464.9	-42	268.3	464.9	-42
Equity ratio, %	8.1	7.4	9	8.1	7.4	9
Return on equity, %	-249.7	-319.2	22	-221.5	-625.7	65
Return on investment, %	-57.6	-108.1	47	-42.0	-120.3	65

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.

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.

Recurring revenue reported by the Company consists of Software maintenance services and SaaS net sales. In addition to these, recurring revenue also includes Renewable software licenses. The Company aims to increasingly focus on continuous services, particularly in developing its Software-as-a-Service (SaaS) business.

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

NET SALES DEVELOPMENT

NET SALES BY PRODUCT GROUP

EUR in thousands	Oct- Dec, 2023	Oct- Dec, 2022	Change, %	Jan- Dec, 2023	Jan- Dec, 2022	Change, %
Software licenses	103	203	-49	485	560	-13
Renewable software licenses*	51	73	-30	504	583	-13
Software maintenance services*	448	417	7	1,720	1,803	-5
SaaS	617	510	21	2,371	1,738	36
Consulting	380	939	-60	2,469	3,139	-21
Total	1,599	2,142	-25	7,550	7,823	-3

NET SALES BY GEOGRAPHIC AREA

EUR in thousands	Oct- Dec, 2023	Oct- Dec, 2022	Change, %	Jan- Dec, 2023	Jan- Dec, 2022	Change, %
Finland	700	1,088	-36	3,499	4,126	-15
Europe incl. Turkey	723	876	-18	3,128	2,745	14
Rest of the world	176	178	-1	923	953	-3
Total	1,599	2,142	-25	7,550	7,823	-3

OCTOBER-DECEMBER 2023

The net sales for October-December was 1,599 thousand euros (2,142), and it decreased by 25% compared to the comparison period. The share of recurring net sales in the total net sales increased by 23% and it was 67% of the total net sales (43).

The net sales of software licenses was 103 thousand euros (203), and it decreased by 49% mainly due to the significant license agreement concluded in the last quarter of 2022 with a global pharmaceutical company.

The net sales of renewable software licenses was 51 thousand euros (73), and it decreased by 30% due to the termination of individual customer contracts and the negative exchange rate effect. This was offset by price increases against inflationary pressure.

The net sales of software maintenance services was 448 thousand euros (417), and it grew by 7% due to the expansion of cooperation with existing customers, new customer contracts, and price increases against inflationary pressure. The growth was netted by customer churn, the transition of existing customers to the SaaS service model, and the negative effect of exchange rates.

SaaS net sales grew by 21% and was 617 thousand euros (510). The increase in SaaS net sales was mainly a result of the company's announcement in December 2022 of expanding the use of QPR ProcessAnalyzer's SaaS solution with a global pharmaceutical company. Growth was also influenced by successes in acquiring new customers and expanding cooperation with existing ones. In addition, growth was boosted by customers switching from licenses to the SaaS service model and partly by price increases against inflationary pressure. The negative effect of exchange rates and customer churn, on the other hand, decreased SaaS turnover.

The consulting net sales was 380 thousand euros (939), and it decreased by 60% when the company discontinued consulting outside its core business in Finland. In addition, during the final quarter of the reference year 2022, the company booked revenue from fixed-price projects in the Middle East based on their respective levels of completion. Fixed-price projects in the Middle East were completed during the second quarter.

The Group's net sales was 44% (63) from Finland, 39% (36) from the rest of Europe (including Turkey) and 17% (1) from the rest of the world.

JANUARY-DECEMBER 2023

The net sales in January-December was 7,550 thousand euros (7,823). The share of recurring revenue was 61% (53). Net sales decreased by 273 thousand euros (3%) because of the company's decision to discontinue providing consulting services beyond its core business to domestic public sector clients. The net sales of the group's other business areas increased (8.5%).

The group's net sales increased in the rest of Europe by 383 thousand euros (14%), decreased in Finland by 665 thousand euros (15%) and increased by 30 thousand euros (3%) in the rest of the world. The growth in Europe was related to the expansion of the software business and related consulting business in line with the company's internationalization strategy. In Finland, the decline in net sales occurred because consulting outside the previously mentioned core business were discontinued. The decrease in net sales in the rest of the world was primarily due to the end of fixed-price software delivery projects sold to public administration customers in the Middle East in the previous year's 2020–2021. The projects in question were implementations of software solutions in the application area of strategy and performance management. The discussion about the possible continuation of the completed projects with a new contract structure has been ongoing, and project deliveries will most likely start during the first half of 2024. The decrease in net sales was balanced out by obtaining a substantial long-term maintenance contract from the same customer, one year ahead of schedule; and by securing new contracts with customers in the Middle East market.

Of the net sales, 46% (50) derived from Finland, 42% (35) from the rest of Europe (including Turkey), and 12% (12) from the rest of the world.

SaaS net sales grew by 36%, to 2,371 thousand euros (1,738). The increase in net sales from SaaS services was a result not only of the expansion of the use of QPR ProcessAnalyzer's SaaS solution with a global pharmaceutical company, announced by the company in December 2022, but also because of other successful customer expansions. The growth was also partly due to customers switching from licenses to the SaaS service model, and partly due to the company's price increases caused by inflationary pressure. SaaS growth was also boosted by successes in new customer acquisition.

Transitioning to SaaS invoicing, share of recurring revenue was 61% of total net sales. Aligning with company's strategy, recurring revenue increased by 8% from the comparison period. However, license revenues declined compared to last year due to the transition to SaaS and delays in customer decision-making prompted by challenging market conditions.

Consulting net sales was 2,469 (3,139), and its decrease was due to the discontinuation of outside the core business consulting in Finland. The decrease in net sales related to the end of fixed-price projects in the Middle East was compensated by the increase in consulting related to the implementation of products delivered to Europe.

FINANCIAL DEVELOPMENT

OCTOBER-DECEMBER 2023

The group's EBITDA in October-December was -31 thousand euros (-430), and it was 400 thousand euros better compared to the previous year. The operating result improved considerably and was -283 thousand euros (-681), the change being 398 thousand euros compared to the comparison period. Although the result for the period was still negative, it improved significantly by 60% compared to the previous year, from -748 thousand euros to -307 thousand euros. The company took active measures to improve its cost structure and develop business profitability.

The variable expenses of the group amounted to 134 thousand euros (411), primarily driven by the completion of demanding fixed-price software delivery projects in the Middle East during the second quarter of the year. This completion resulted in a notable decrease in the requirement for external services, reducing expenses.

The company's fixed expenses were 1,495 thousand euros (2,164), and they decreased by 28% compared to the comparison period. This was the result of saving program implementation and change negotiations resulting in personnel cost decrease during last quarter of 2022 and second quarter of 2023. The effect of these was partially reduced by lower product development activations.

The bad debt provision, which is included in the fixed expenses for the last quarter, was 5 thousand euros (29).

Earnings per share were EUR -0.017 (-0.047) per share.

JANUARY-DECEMBER 2023

The group's EBITDA was a positive 182 thousand euros (-1,753) and the operating result was -813 thousand euros (-2,770). EBITDA was significantly improved compared to the comparison period by the company's strong cost-saving measures and the 8.5% growth of the software business. EBITDA, on the other hand, was reduced by discontinued public sector consulting projects in Finland, as well as a fixed-price project in the Middle East that ended in the first half of the year. In addition, the operating result was improved by 55% due to lower company office lease costs reported in depreciation in accordance with IFRS.

The group's variable expenses were 896 thousand euros (1,552), and they decreased by 42% compared to the comparison period. Expenses decreased mainly after the completion of challenging fixed-price software delivery projects in the Middle East during the second quarter. With this, the need for the use of external services decreased significantly. The impact of fixed-price projects in the Middle East on the company's EBITDA for the first half of the year was negative.

The group's fixed expenses were 6,473 thousand euros (8,028), i.e. 19% lower than in the comparison period, due to personnel reductions and layoffs implemented in the last quarter of 2022 and the second quarter of 2023, as well as external cost savings.

Long-term product development investments decreased significantly by 702 thousand euros and were 619 thousand euros (1,321), which reduces the effect of the reduction in costs in the comparison period.

The change in the provision for bad debts included in the fixed costs of the reporting period was four thousand euros (January-December 2022: 3).

Overall, the group's expenses decreased by 17% compared to the comparison period due to the company's significant cost savings, as well as lower subcontracting costs for projects in the Middle East.

In 2023, the company's SaaS net sales grew by 36% and software net sales as a whole by 8%. Net sales decreased in Finland, due to the discontinuation of consulting outside the core business in Finland, as well as the delay of follow-up projects in the Middle East. The company responded to the changing challenges of the business environment by implementing strong cost-saving measures throughout the financial year.

In 2023, the company had a robust 36% growth in SaaS net sales and an 8% increase in overall software net sales. There was a decline in net sales in Finland, attributed to the discontinuation of consulting activities outside the core business in that region, along with delays in follow-up projects in the Middle East. To address challenges within the business landscape, the company proactively implemented strong cost-saving measures throughout the fiscal year.

In addition to this, on October 19, 2023, the company carried out change negotiations focused on the public administration consulting unit, which resulted in the termination of a total of nine positions. The savings from these measures will positively affect the company's profitability in the second quarter of 2024.

In addition, as a result of the change negotiations announced on December 14, 2023, and concluded on January 5, 2024, the company aims for cost savings from the termination of a total of 10 positions. The company also strives to organize its operations more efficiently, respond to changes in

the operating environment, and renew the organizational structure to achieve the company's long-term growth and profitability goals.

The employment contracts, ended as a result of change negotiations, will carry work obligation until the end of employment. Thus, the company did not record provisions related to change negotiations at the end of 2023.

The result for the review period was -924 thousand euros (-2,868) and the earnings per share -0.055 euros (-0, 202).

FINANCE AND INVESTMENTS

Cash flow from operations during the review period was a positive 849 thousand euros (-1,798). The change in operating cash flow compared to 2022 was due to significant improvements in operating profit and working capital. During the final quarter of the year, the company garnered more of the annual revenue from its expanding software business through advance payments, compared to the previous year's corresponding period. Majority of annual invoicing is around year end and is therefore seasonal by nature. In addition to this, the company was able to collect its receivables from completed projects in the Middle East and was able to advance the start of a significant maintenance contract by a year. The cash flow of projects in the Middle East improved by approximately 300 thousand euros compared to 2022. Due to the robust cost-saving measures implemented by the company, there was a notable decrease in outgoing cash flow.

Net financing costs were 111 thousand euros (62), and they included exchange losses of 14 thousand euros (20).

The investments were 620 thousand euros (1,353), and they were mainly product development investments.

The net cash flow from financing was 639 thousand euros (2,726), primarily driven by a directed share issue amounting to 760 thousand euros (2,937), alongside premises rents paid totaling 121 thousand euros (266).

The group's financial situation is fair. At the end of the review period, the group's cash and cash equivalents were 884 thousand euros (17) and short-term receivables were 1,706 thousand (3,452). 79% (82%) of receivables are denominated in euros and 53% of invoices are not yet due. Of the total amount of short-term receivables, the share of 1-30 days overdue receivables was 35%, 30-60 days 9% and more than 60 days 3%. The company was able to improve its invoicing cycle and enhance its collection. In addition, the group has available a credit limit of 500,000 euros. At the end of the review period, the group had a bank loan of EUR 1,500 thousand, of which EUR 1,000 thousand was long-term.

In accordance with the original financing agreement, the first installment of EUR 0.5 million is 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. In the testing carried out on 31 December 2023, EBITDA fell below the agreed covenant limit. In December 2023, the bank pledged not to exercise its receivables maturity right under the financing agreement in the event of a potential violation of the group's operating margin covenant as per the 2023 financial statements.

The company's free cash flow, operating and investment cash flows, and office lease costs totaled 108 thousand euros (-3385). The significant change was due to the improvement of operating cash flow, lower cash flows from investments, and lower paid office lease costs.

The equity ratio was 8.1% (7.4%), largely driven by the directed share issue executed in the third quarter, which resulted in the acquisition of 760 thousand euros in new equity capital. Furthermore, the company's strengthened cash reserves, coupled with the reduction of the head office lease term from 5.5 years to 3.5 years in June, have enhanced the equity ratio. The equity ratio was reduced by the negative operating result of 924 thousand euros for the financial year.

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.

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.

Product development expenses for the full year were 1,427 thousand euros (2,674) and product development expenses were capitalized in the balance sheet of 637 thousand euros (1,336). Product development depreciation was recorded at 782 thousand euros (660). The amortization period for capitalized product development expenses is four years.

PERSONNEL

At the end of the review period, the group employed 49 people (85). The average number of personnel in 2023 was 57 (81).

The average age of the personnel is 46 (44) years. Women account for 22% (26) of employees, and men for 78% (74). Of all personnel, 13% (17) work in sales and marketing, 44% (44) in consulting and customer care, 33% (30) in product development, and 10% (9) in administration.

Personnel expenses were 5,287 thousand euros (7,214), of which the share of salaries and bonuses was 4,363 thousand euros (5,995).

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

	Jan-Dec, 2023	Jan-Dec, 2022	Change, %
Trading of shares			
Shares traded, pcs	3,538,455	2,263,135	56
Volume, EUR	1,585,931	2,315,155	-31
% of shares	19.8	14.1	41
Average trading price, EUR	0.45	1.02	-56
Average trading value per day, EUR	6,293	9,187	-31

Treasury shares acquired during the year, pcs	0	0	0
Shares and market capitalization	Dec 31, 2023	Dec 31, 2022	Change, %
Total number of shares, pcs	18,175,192	16,455,321	10
Treasury shares, pcs	339,471	413,487	-18
Book counter value, EUR	0.11	0.11	-
Outstanding shares, pcs	17,835,721	16,041,834	11
Number of shareholders	1,943	1,747	11
Closing price, EUR	0.33	0.56	-40
Market capitalization, EUR	5,957,131	8,983,427	-34
Book counter value of all treasury shares, EUR	37,342	45,484	-18
Total purchase value of all treasury shares, EUR	347,552	405,726	-14
Treasury shares, % of all shares	1.9	2.5	-26

GOVERNANCE

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

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

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

Board of Directors and Auditor

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

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

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

The Nomination Committee proposed, and the Annual General Meeting resolved that the Chairman of the Board of Directors be paid EUR 45,000 per year and the other members of the Board of Directors EUR 25,000 per year. Approximately 40 percent of the remuneration will be paid in shares

and 60 percent in cash. The shares will be granted as soon as possible after the Annual General Meeting and if the insider regulations allow it. The members of the Board of Directors will also be reimbursed for travel and other expenses incurred while they are managing the Company's affairs.

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

Amendment of the Articles of Association

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

Reduction of the share capital

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

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

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

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

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

The Nomination Board

The Shareholders' Nomination Board of QPR Software Plc is a body of QPR Software's shareholders responsible for preparing proposals to the Annual General Meeting for the election and remuneration of the members of the Board of Directors, and the remuneration of the Board committees. The Nomination Board consists of three members who represent QPR Software's three largest shareholders who, on August 30 preceding the next year's Annual General Meeting, hold the largest number of votes calculated of all shares in QPR Software.

The Nomination Board is chaired by Roger Kempe, representing Oy Finncorp Ab, and consists of Erkki Myllärniemi, representing UMO Capital Oy, and Eero Leskinen, representing Vesa-Pekka Leskinen.

The Nomination Board submits the following proposals to the Annual General Meeting, which is planned to be held on May 15, 2024. The proposals will be also included in the notice to the Annual General Meeting, which will be published separately later on.

Electing Board members and the Chairman

The Nomination Board proposes to the Annual General Meeting that Pertti Ervi, Antti Koskela and Jukka Tapaninen be re-elected as Board members. Current Board member Matti Heikkonen has informed the Nomination Board that he is no longer available for re-election. The Nomination Board further proposes that Linda von Schantz be elected to the Board of QPR Software as a new member. All the nominees have given their consent to the position, and they are independent of the Company and of the Company's significant shareholders.

Furthermore, the Nomination Board proposes that Pertti Ervi be re-elected as the Chairman of the Board.

The curriculum vitae of the proposed new member of the Board, Linda von Schantz, is attached to this stock exchange release.

Information about the experience and previous positions of the persons proposed to be re-elected as Board members is available on QPR's website at: <https://www.qpr.com/company/board-of-directors>

Deciding on the remuneration of the Board members

The Nomination Board proposes that the remuneration of the Board members be kept unchanged. According to the proposal, the Chairman of the Board will be paid EUR 45,000 per year and the other Board members EUR 25,000 per year. Approximately 40% of the above-mentioned remuneration is paid in shares and 60% in cash. The Shares will be transferred at earliest after the General Meeting election and in accordance with the insider trading regulations.

Furthermore, the Nomination Board proposes that the members of the Board of Directors will be reimbursed for travel and other expenses incurred while they are managing the Company's affairs.

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 78% of the Group's trade receivables were in euros at the end of the quarter (60%). At the end of the quarter, the Company had not hedged its non-euro trade receivables.

SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD

Renewal of the financing agreement

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

Amendment of the articles of association

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

Reduction of share capital

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

Directed share issue

On August 22, 2023, the company's board of directors decided on a directed share issue, in which 1,719,871 shares were issued, based on the authorization granted to the board by the company's annual general meeting held on May 3, 2023.

In the share issue, a total of 1,719,871 shares were subscribed at a subscription price of EUR 0.463 per share, which corresponds to the volume-weighted average price of the Company's share for the last five (5) days in Nasdaq Helsinki Oy, including the closing price of the Company's share on August 22, 2023, and a corresponding discount of EUR 0.001 to the closing price of the Company's share on August 22, 2023. The subscription price was fully subscribed to the Company's invested unrestricted equity fund.

As a result of the share issue, the company received gross income of around 800,000 euros. The main purpose of the share issue is to strengthen the Company's capital and financial position.

Flaggings

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

On 23 August 2023, QPR Software Plc received a notification from Vesa-Pekka Leskinen pursuant to Chapter 9, Section 5 of the Securities Markets Act (AML), according to which his direct share

ownership of QPR Software Plc's total number of shares and votes has decreased under ten (10) percent.

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

The Bord of Directors published a new option program

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

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

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

Changes in the company's management

The company's CEO Jussi Vasama left his position and Heikki Veijola started as CEO on March 1, 2023.

The director of the consulting business, Samuel Rinnetmäki, moved outside the company and Teemu Lehto became a member of the management team as the new director responsible for the consulting business on March 1, 2023.

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

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

Change negotiations

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

In October 2023, the company concluded 9 positions regarding change negotiations for consulting outside its core business. The savings from the concluded positions, will start realizing from year 2024.

In December, the company published its adjusted strategy and initiated change negotiation on December 14, 2023, aimed at aligning the organization with the updated approach.

These negotiations concluded after the fiscal year on January 5, 2024. As part of this process, the company will be reducing 10 positions. The savings related to these reductions, will start realising during 2024.

Profit warning

QPR issued a profit warning on October 16, 2023, in which the company estimated that the net sales will remain close to the previous year, but that it will achieve a clearly positive EBITDA.

Adjusted strategy

QPR Software Plc refined its current strategy to reflect market changes and the Company's priority areas, and to announce renewed financial goals for the strategy period.

The Company's mission is to innovate, develop and deliver software for analyzing, monitoring, and modeling the organizations' operations. The Company also offers consulting services to ensure that customers get full value from the software and related methods.

In accordance with the adjusted strategy (2024–2027), the Company focuses its business on the international growth of SaaS solutions offered by Digital Twin of an Organization (DTO) and the process mining at its core. The Company's DTO offering also includes software developed for modeling and managing and measuring the organization's strategy and performance. The Company's revised financial goals for the strategic period 2024–2027 are average twenty (20) percent annual SaaS growth, and sustainable operating profit.

The Company also continues to build new strategic partner networks in accordance with the strategy announced on March 10, 2022, to achieve a scalable Go-to-Market model, expand its own offering and improve the value it provides to its customers together with technology and implementation partners. The Company concentrates its growth investments in Europe and the Middle East and, through a partner network, on new market areas such as North America.

Additional information on all relevant events can be found on the company's website in the Investors/Stock exchange and press releases section.

EVENTS AFTER THE REVIEW PERIOD

Change in organizational structure and change negotiations

On December 14, 2023, QPR Software Plc announced its adjusted strategy and the planned change in its organizational structure to support it and submitted a negotiation proposal in accordance with the related Cooperation Act to start the change negotiations. The change negotiations were completed on Thursday, January 4, 2024.

In the change negotiations, the Company planned to change its organizational structure related to the adjusted strategy. The goal of the planned changes is to support a more efficient organization of QPR's operations, to try to respond to changes in the operating environment, and to renew the organization's structure in order to achieve the Company's long-term growth and profitability goals.

Change negotiations were held separately in both QPR Software Plc and QPR Services Oy. As a result of the negotiations, the Company will terminate a maximum of four positions at QPR Software Oy and a maximum of six positions at QPR Services Oy.

QPR Software Plc signed the first partner agreement in North America and received an affirmative decision on Business Finland's support for market mapping

QPR Software's unique process mining software, QPR ProcessAnalyzer, is globally the only software running natively in the Snowflake Data Cloud. This means solving performance, scalability, and security issues for customers. The majority of Snowflake's customers are in the US market. In accordance with its strategy, QPR aims to expand to the North American market, utilizing the partner network that is being built there.

An important step in this endeavor is the signing of a significant partnership agreement with Solution BI on January 16, 2024. The agreement includes resale rights for QPR ProcessAnalyzer in the United States, Canada and Mexico. QPR Software also cooperates with Solution BI in the Middle East region.

In addition, on January 30, 2024, Business Finland approved QPR Software Plc's Market Explorer funding, which is used to investigate business opportunities and map markets in North America. Granted support covers 50% of incurred costs, upper limit 39,995 euros. This financial support is intended to facilitate the mapping of the company's new markets and to promote the conditions for the internationalization of the business.

FINANCIAL REPORTING

QPR will publish three Interim Reports in 2024:

- Interim Report January–March 2024 on Wednesday 19 April 2024
- Half-year Financial Report January-June 2024 on Friday 2 August 2024
- Interim Report January-September 2024 on Friday 25 October 2024

QPR Software's financial statement bulletin, activity report, audit report, and report on the corporate governance system for the financial year 2023 will be published on Friday, February 16, 2024.

QPR's Annual Report 2023 will be published on Friday, March 22, 2024.

QPR's Annual General Meeting 2024 is scheduled to be held on Wednesday 15 May 2024. The Board of Directors convenes the Annual General Meeting with an invitation to be announced later.

QPR SOFTWARE PLC

BOARD OF DIRECTORS

For further information:

Heikki Veijola

Chief Executive Officer

QPR Software Plc

Tel. +358 40 922 6029

About QPR Software

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

www.qpr.com

DISTRIBUTION

Nasdaq Helsinki

Key medias

www.qpr.com

FINANCIAL STATEMENT INFORMATION

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

EUR in thousands, unless otherwise indicated	Oct-Dec, 2023	Oct-Dec, 2022	Change, %	Jan-Dec, 2023	Jan-Dec, 2022	Change, %
Net sales	1,599	2,142	-25	7,550	7,823	-3
Other operating income	-	4	-	1	4	-
Materials and services	134	411	-67	896	1,552	-42
Employee benefit expenses	1,202	1,951	-38	5,287	7,214	-27
Other operating expenses	294	214	37	1,186	814	46
EBITDA	-31	-430	93	182	-1,753	110
Depreciation and amortization	252	251	0	995	1,017	-2
Operating result	-283	-681	58	-813	-2,770	71
Financial income and expenses	-24	-32	-23	-111	-62	81
Provisions	-	-33	-	-	-33	-
Result before tax	-307	-745	59	-924	-2,864	68
Income taxes	0	-3	-	0	-3	-
Result for the period	-307	-748	59	-924	-2,868	68

Earnings per share, EUR (basic and diluted)	-0.017	-0.047	63	-0.055	-0.202	73
Consolidated statement of comprehensive income:						
Result for the period	-307	-748	59	-924	-2,868	68
Exchange differences on translating foreign operations	0	-1	-	-1	-2	-51
Total comprehensive income	-307	-749	59	-925	-2,870	68

CONDENSED CONSOLIDATED BALANCE SHEET

EUR in thousands	Dec 31, 2023	Dec 31, 2022	Change, %
Assets			
Non-current assets:			
Intangible assets	2,245	2,411	-7
Goodwill	358	358	0
Tangible assets	81	171	-53
Right-of-use assets	318	756	-58
Other non-current assets	277	277	0
Total non-current assets	3,279	3,973	-17
Current assets:			
Trade and other receivables	1,706	3,452	-51
Cash and cash equivalents	884	17	5257
Total current assets	2,590	3,469	-25
Total assets	5,869	7,442	-21
Equity and liabilities			
Equity:			
Share capital	80	1,359	-94
Other funds	21	21	0
Treasury shares	-348	-406	-14
Translation differences	-67	-66	-1
Invested non-restricted equity fund	4,925	2,943	67
Retained earnings	-4,263	-3,364	-27
Equity attributable to shareholders of the parent company	348	487	-28
Non-current liabilities:			
Interest-bearing liabilities	1,000	-	-
Interest-bearing lease liabilities	192	609	-68
Total non-current liabilities	1,192	609	96
Current liabilities:			

Provisions	-	33	-
Interest-bearing liabilities	500	1,521	-67
Interest-bearing lease liabilities	126	149	-15
Advances received	1,558	885	76
Accrued expenses and prepaid income	1,539	2,598	-41
Trade and other payables	607	1161	-48
Total current liabilities	4,329	6,346	-32
Total liabilities	5,521	6,955	-21
Total equity and liabilities	5,869	7,442	-21

CONSOLIDATED CONDENSED CASH FLOW STATEMENT

EUR in thousands	Oct-Dec, 2023	Oct-Dec, 2022	Change, %	Jan-Dec, 2023	Jan-Dec, 2022	Change, %
Cash flow from operating activities:						
Result for the period	-307	-748	59	-924	-2,868	68
Adjustments to the result	271	72	274	1,078	874	23
Working capital changes	875	969	-10	821	307	167
Interest and other financial expenses paid	-2	-29	-93	-107	-58	85
Interest and other financial income received	0	0	-	0	0	-
Income taxes paid	-8	-21	-63	-19	-21	-11
Net cash from operating activities	829	244	240	849	-1,765	148
Cash flow from investing activities:						
Purchases of tangible and intangible assets	-108	-189	-43	-620	-1,355	-54
Net cash used in investing activities	-108	-189	-43	-620	-1,355	-54
Cash flow from financing activities:						
Proceeds from short term borrowings	-	21	-	1,500	1,521	-1
Repayments of short term borrowings	-	-	-	-1,500	-1,500	0
Payment of lease liabilities	-17	-82	-79	-121	-266	-55
Share issue net	-	-11	-	760	2,937	-74
Net cash used in financing activities	-17	-72	-76	639	2,692	-76
Net change in cash and cash equivalents	703	-18	4055	868	-427	303

Cash and cash equivalents at the beginning of the period	181	36	406	17	441	-96
Effects of exchange rate changes on cash and cash equivalents	0	-1	100	0	3	-107
Cash and cash equivalents at the end of the period	884	17	5256	884	17	5255

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR in thousands	Share capital	Other funds	Translation differences	Treasury shares	Invested non-restricted equity fund	Retained earnings	Total
Equity Jan 1, 2022	1,359	21	-68	-439	5	-448	430
Stock option scheme						-47	-47
Disposal of own shares				34			34
Share issue ,net					2,937		2,937
Comprehensive income			2			-2,870	-2,868
Equity Dec 31, 2022	1,359	21	-66	-406	2,943	-3,364	487
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

NOTES TO INTERIM FINANCIAL STATEMENTS

ACCOUNTING PRINCIPLES

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

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

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

INTANGIBLE AND TANGIBLE ASSETS

EUR in thousands	Jan-Dec, 2023	Jan-Dec, 2022
Increase in intangible assets:		
Acquisition cost Jan 1	14,217	12,846
Increase	619	1,371
Increase in tangible assets:		
Acquisition cost Jan 1	2,816	2,705
Increase	0	111

CHANGE IN INTEREST-BEARING LIABILITIES

EUR in thousands	Jan-Dec, 2023	Jan-Dec, 2022
Interest-bearing liabilities Jan 1	2,279	1,682
Proceeds from borrowings	1,500	597
IFRS 16	-319	-
Repayments	1,641	-
Interest-bearing liabilities Dec 31	1,818	2,279

PLEDGES AND COMMITMENTS

EUR in thousands	Dec 31, 2023	Dec 31, 2022	Change, %
Business mortgages (held by the Company)	2,382	2,382	0
Minimum lease payments based on lease agreements:			
Maturing in less than one year	30	47	-36
Maturing in 1-5 years	27	80	-66
Total	57	127	-55
Total pledges and commitments	2,439	2,509	-3

CONSOLIDATED INCOME STATEMENT BY QUARTER

EUR in thousands	Oct-Dec, 2023	July-Sept, 2023	April-June, 2023	Jan-Mar, 2023	Oct-Dec, 2022
Net sales	1,599	1,806	1,908	2,237	2,142
Other operating income	-	-	1	-	4
Materials and services	134	147	221	394	411
Employee benefit expenses	1,202	1,056	1,368	1,661	1,951
Other operating expenses	294	361	313	218	214
EBITDA	-31	242	7	-36	-430
Depreciation and amortization	252	254	238	251	251
Operating result	-283	-12	-231	-287	-681
Financial income and expenses	-24	-25	-23	-39	-32
Provisions	-	-	-	-	-33
Result before tax	-307	-37	-254	-326	-745
Income taxes	0	-	5	-5	-3
Result for the period	-307	-37	-249	-331	-748

GROUP KEY FIGURES

EUR in thousands, unless otherwise indicated	Jan-Dec or Dec 31, 2023	Jan-Dec or Dec 31, 2022
Net sales	7,550	7,823
Net sales growth, %	-3.5	-14.4
EBITDA	182	-1,753
% of net sales	2.4	-22.4
Operating result	-813	-2,770
% of net sales	-10.8	-35.4
Result before tax	-924	-2,864
% of net sales	-12.2	-36.6
Result for the period	-924	-2,868
% of net sales	-12.2	-36.7
Return on equity (per annum), %	-221.5	-625.7
Return on investment (per annum), %	-42.0	-120.3
Cash and cash equivalents	884	17
Net borrowings	934	2,262

Equity	348	487
Gearing, %	268	464.9
Equity ratio, %	8.1	7.4
Total balance sheet	5,869	7,442
Investments in non-current assets *	637	2324
% of net sales	8.4	30
Product development expenses	1,427	2,674
% of net sales	18.9	34
Average number of personnel	57	81
Personnel at the beginning of period	85	80
Personnel at the end of period	49	85
Earnings per share, EUR (basic and diluted)	-0.055	-0.202
Equity per share, EUR	0.020	0.030

*adjustment for the previous reporting periods