



QPR SOFTWARE

**HALF YEAR
FINANCIAL REPORT**

JANUARY-JUNE

QPR Software Plc Half Year Financial Report 2023

QPR SOFTWARE PLC

STOCK EXCHANGE RELEASE

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H1'23 SaaS net sales increased by 49%, net sales decreased by 2%. EBITDA was positive. Operating profit improved significantly but was still loss-making. The Company announced that it is investigating possibility of implementing a share issue in order to strengthen its capital and financial position.

FINANCIAL DEVELOPMENT BRIEFLY

APRIL-JUNE 2023

- SaaS software business grew +36%
- Net sales amounted to EUR 1,908 thousand, a decrease of 5% (April-June 2022: 2,012)
- EBITDA was EUR 7 thousand (-270)
- Operating result (EBIT) amounted to EUR -231 thousand (-515)
- Result before taxes was EUR -254 thousand (-526)
- Result was EUR -249 thousand (-629)
- Earnings per share was EUR -0,015 (-0,039)

JANUARY-JUNE 2023

- SaaS software business grew +49% (January-June 2022: +24%)
- Net sales amounted to EUR 4,146 thousand, a decrease of 2% (January-June 2022: 4,213)
- EBITDA was EUR 33 thousand (-471)
- Operating result (EBIT) amounted to EUR -455 thousand (-988)
- Result before taxes was EUR -518 thousand (-1,009)
- Result was EUR -518 thousand (-1 009)
- Earnings per share was EUR -0,032 (-0,082)

OUTLOOK FOR 2023 (Unchanged)

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

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

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

CEO HEIKKI VEIJOLA'S REVIEW

"The first half of the year generally continued in an uncertain market situation. Regarding the acquisition of new customers, the general economic uncertainty has postponed customers' decisions and the start of new tenders. As a consequence, the company experienced a decline in its net sales of 2% when compared to the same period last year. SaaS (Software as a Service) net sales continued to grow and was +49% in the first half of the year. This positive trend is partially reflected in the decline of software license net sales, which decreased by 31%. Nonetheless, this decrease is in line with the company's strategic transition towards adopting a SaaS business model.

During Q2, we concluded the fixed-price software delivery projects we had previously sold to public administration customers in the Middle East. These projects focused on strategy and performance management applications. This achievement marks a major milestone for us, especially considering the adverse and prolonged impact these projects had on our company's business and profitability. Our ongoing customer projects in the Middle East are contracts based on hourly pricing. The discussion about the possible continuation of the finished fixed-price projects with a new contract structure is currently underway. The impact of these completed projects is reflected in the first half of the year as a decline in consulting net sales of 2% compared to the same period in the previous year.

In the current market situation, the company's business space is tight in terms of cash resources and equity ratio, while operations are still loss-making. During the first half of the year, the company continued to actively take measures to reach the profit guidance given for the 2023 financial year. On May 9, 2023, QPR announced that it would begin change negotiations aimed at streamlining the company's operations and improving profitability. The change negotiations ended on May 29, 2023, and as a result, the company terminated seven employment relationships and temporarily laid off 36 people.

On July 3, 2023, we announced that the company's board of directors will investigate the possibilities of implementing a directed share issue during the third quarter of 2023. The company has received from its largest shareholder Oy Fincorp Ab an irrevocable commitment to subscribe for new shares in a possible share issue under certain conditions for at least 750,000 euros. Decisions on the implementation of a possible share issue and its conditions will be made and announced later, and the implementation of the share issue is not certain. I see significant growth potential in the

company's business, and a possible share issue would give the company support to strengthen its capital and financial position.

Despite the obstacles faced, the company has achieved a remarkable turnaround evident in its key performance indicators for the first half of the year. The strategic actions taken to enhance operational efficiency, optimize cost structures, and boost overall profitability have yielded results. EBITDA was a positive 33 thousand euros, while it was -471 thousand euros in the same period last year. The operating profit was still negative at -455 thousand euros, but progress has also been made in that regard (-988 thousand euros). The active management of working capital turned the operating cash flow into a positive one, and it was 660 thousand euros, the change being +206% (-623).

Throughout the beginning of this year, we have once again earned global trust and recognition as a pioneer in process mining technology. We have a strong pioneering spirit and understanding of customers' changing needs in the highly competitive process mining market. This is evident not only from our achievement of being named a visionary in the 2023 Magic Quadrant™ for Process Mining Tools study published by Gartner in March but also by the esteemed invitation extended to Teemu Lehto, our director responsible for consulting at QPR. Teemu, who holds a doctorate in process mining, was selected to chair the World Process Mining Summit event, hosted in Berlin in mid-June. I am filled with happiness and pride as Teemu and QPR seize this exceptional opportunity. Our commitment to creating a culture of cooperation, information sharing, and innovative thinking for the greater good of people and organizations remains resolute.

As we enter the latter half of the year with positivity and confidence. At QPR, we provide our customers with solutions that not only foster business and process efficiency but also lead to cost savings and the opportunity to renew and react to market changes. The process mining market and the utilization of digital solutions in the business development of companies are still growing strongly.

The company's main goal in the second half of the year is revenue and sales growth and to strengthen the ecosystem to better serve the comprehensive needs of customers. The company's sales resources and process have been strengthened to keep up with demand. We stand out from our competitors with unique technology and related services, as well as first-class customer service, for which we repeatedly receive excellent feedback. We also continue to invest in the development of innovative technology. QPR received a conditional research grant from Business Finland, on July 5, 2023, to further enhancement of our process mining technology's artificial intelligence and machine learning capabilities.

Our process mining software, QPR ProcessAnalyzer, stands as the only global solution that runs natively on the Snowflake Data Cloud. This capability opens unparalleled opportunities for our customers, providing unprecedented performance, scalability, and security enhancements. Process mining using Snowflake Data Cloud technology has attracted interest from both new and existing customers, and we currently have several Proof of Concept (POC) projects underway.

We said in the Q1 interim report that the majority of Snowflake's customers are in the US market, where QPR is not present. During the second half of the year, the company plans to explore the possibility of building a partner ecosystem to bring this unique process mining solution to the US market.

I extend my gratitude to our customers and stakeholders for placing their trust in QPR throughout the initial half of this year. Moreover, I want to express my appreciation to each and every one of our

dedicated employees. Your commitment and hard work are vital to shaping the future and achieving the success of our company.”

Heikki Veijola

Chief Executive Officer

KEY FIGURES

EUR in thousands, unless otherwise indicated	April- June, 2023	April- June, 2022	Change, %	Jan- June, 2023	Jan- June, 2022	Change, %	Jan- Dec, 2022
Net sales	1,908	2,012	-5	4,146	4,213	-2	7,823
EBITDA	7	-270	103	33	-471	107	-1,753
% of net sales	0.4	-13.4		0.8	-11.2		-22
Operating result	-231	-515	55	-455	-988	54	-2,770
% of net sales	-12.1	-25.6		-11.0	-23.4		-35
Result before tax	-254	-526	52	-518	-1,009	49	-2,864
Result for the period	-249	-629	60	-518	-1,009	49	-2,868
% of net sales	-13.0	-31.3		-12.5	-23.9		-37
Earnings per share, EUR (basic and diluted)	-0.015	-0.039	61	-0.032	-0.082	61	-0.202
Equity per share, EUR	-0.002	0.149	-102	-0.002	0.149	-102	0.030
Cash flow from operating activities	185	-664	128	660	-623	206	-1,798
Cash and cash equivalents	156	1,918	-92	156	1,918	-92	17
Net borrowings	1,682	-322	622	1,682	-322	622	2,262
Gearing, %	4,302.6	-10.9	39,574	4,302.6	-13.5	31,971	465
Equity ratio, %	-1.1	40.5	-103	-1.1	40.5	-103	7
Return on equity, %	-1,662.2	-178.4	-832	-925.0	-286.2	-223	-626
Return on investment, %	-52.2	-49.3	-6	-101.6	-89.8	-13	-120

REPORTING

QPR Software innovates, develops, sells, and delivers software and services in international markets aimed at facilitating operational development in organizations. QPR Software reports one operating segment: Operational development of organizations.

In addition to this, the Company reports revenue from products and services as follows: Software licenses, Renewable software licenses, Software maintenance services, SaaS (Software-as-a-service,) and Consulting.

Recurring revenue reported by the Company consists of SaaS revenue, Renewable software licenses, and Software maintenance services. Software licenses are sold to customers for perpetual use or for an agreed, limited period. Renewable software licenses are sold to customers as a user right for an indefinite duration. These contracts are automatically renewed at the end of the agreed period,

usually one year unless the agreement is terminated within the notice period. Renewable license revenue is recognized at one point in time, at the beginning of the invoicing period.

Geographical areas reported are Finland, the rest of Europe (including Russia and Turkey), and the rest of the world. Net sales are reported according to the customer's headquarters location. The company has closed its business and partnerships in Russia for the time being. Russian numbers are reported as part of comparison year.

BUSINESS OPERATIONS

QPR's purpose is to help customers achieve more with less. We help our customers drive process and business transparency, ensure that their operations are run as required and designed, and create actionable intelligence where modern AI meets thought leadership.

We do so by innovating, developing, and delivering software for analyzing, monitoring, and modelling organizations' operations. To ensure maximum customer value, we also offer a wide range of complementary consulting services. By providing organizations with the technologies and methods to transform the invisible into visible and the unknown into manageable, they are empowered to reach long-lasting, continuous results.

NET SALES DEVELOPMENT

NET SALES BY PRODUCT GROUP

EUR in thousands	April- June, 2023	April- June, 2022	Change, %	Jan- June, 2023	Jan- June, 2022	Change, %	Jan- Dec, 2022
Software licenses	30	169	-82	209	301	-31	560
Renewable software licenses	73	41	77	375	429	-13	583
Software maintenance services	422	471	-10	845	933	-10	1,803
SaaS	595	436	36	1,170	786	49	1,738
Consulting	789	895	-12	1,547	1,763	-12	3,139
Total	1,908	2,012	-5	4,146	4,213	-2	7,823

NET SALES BY GEOGRAPHIC AREA

EUR in thousands	April- June, 2023	April- June, 2022	Change, %	Jan- June, 2023	Jan- June, 2022	Change, %	Jan- Dec, 2022
Finland	929	957	-3	2,006	2,118	-5	4,126
Europe incl. Turkey	763	661	15	1,696	1,338	27	2,745
Rest of the world	217	394	-45	443	757	-41	953
Total	1,908	2,012	-5	4,146	4,213	-2	7,823

APRIL-JUNE 2023

The net sales for the second quarter, from April to June, amounted to 1,908 thousand euros (2,012). This figure reflects a 5% decrease compared to the same period in the previous year. Notably, the share of net sales attributed to recurring revenue accounted for 53% (45) of the total net sales.

The net sales of the software licenses amounted to EUR 30 thousand (169) during the period. The decline of 82% was primarily due to the end of limited term license agreement from the Middle East, which was not renewed.

The net sales from renewable software licenses was 73 thousand euros (41), growing 77%. This increase was primarily a result of comparison period's adjustment to the renewable license revenue for customer transition to the Software-as-a-Service (SaaS) model.

The net sales derived from software maintenance services amounted to 422 thousand euros (471), a decrease of 10%. This decline can be attributed, in part, to adverse fluctuations in exchange rates and the transition of existing customers to the Software-as-a-Service (SaaS) model. However, these negative effects were partially offset by two factors: First, the company managed to expand cooperation with its current customers. Second, the implementation of price increases, aimed at counteracting inflationary pressures.

The revenue from Software-as-a-Service (SaaS) grew 36% and was 595 thousand euros (436). The increase was partly 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 as well as of the company's other successes in expanding cooperation with existing customers. Furthermore, the transition of some customers from traditional licenses to the SaaS service model was another factor in the revenue increase. Lastly, the company implemented price adjustments to counter inflationary pressures.

The net sales of consulting was 789 thousand euros (896), and it decreased by 12% mainly due to the higher revenue of the Middle East project recorded during the second quarter of the comparison year 2022. The fixed-price projects in the Middle East have been completed during the second quarter.

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

JANUARY-JUNE 2023

The net sales for January-June was 4,146 thousand euros (4,213), and it decreased by 2% from the comparison period. The share of continuous profits in net sales was 49% (41).

The net sales of software licenses was 209 thousand euros, and it decreased by 31%. This is mainly due to the expiration of an individual fixed term license in the Middle East, which was offset by the sale of new software licenses in Europe.

The net sales of renewable software licenses was 375 thousand euros, and it decreased by 13%. The outcome observed at the end of the business for a particular customer can be attributed to the impact of the war initiated by Russia in Ukraine.

The net sales of software maintenance services was 845 thousand euros, and it decreased by 10% compared to the comparison period. The change in net sales was influenced by the transition of customers to the SaaS service model, the negative effect of the exchange rate and the end of an individual service contract.

The net sales from SaaS services amounted to 1,170 thousand euros, by 49% growth in comparison to the corresponding period. The increase in revenue from SaaS services was a result not only because of expanding the QPR ProcessAnalyzer's SaaS solution agreement with a global pharmaceutical company but also of the company's other successes in expanding cooperation with existing customers. 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.

The net sales of consulting was 1547 thousand euros (1763), and it decreased by 12% mainly due to the higher net sales of the Middle East projects recorded during the second quarter of the comparison period. The fixed-price projects in the Middle East have been completed during the second quarter of 2023.

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

FINANCIAL DEVELOPMENT

APRIL-JUNE 2023

The group's EBITDA remained positive in April-June and was seven thousand euros (-270) and operating profit -231 thousand euros (-515). The result for the period was -249 thousand euros (-629). Although the company's result was still loss-making, compared to the comparison period, it has developed significantly in a better direction thanks to the measures that the company actively took to improve the efficiency of operations, improve the cost structure and business profitability.

The group's variable expenses were 221 thousand euros (407). Expenses decreased mainly due to the fact the challenging software delivery projects in the Middle East were completed during the second quarter of the year. With this, the need for the use of external services also decreased significantly.

The company's fixed expenses were 1,919 thousand euros (2,120), and they decreased by 9% compared to the comparison period. This was the result of the savings programs implemented in the last quarter of 2022 and the second quarter of 2023, as well as the personnel reductions made as a result of the change negotiations. The effect of these was partially reduced by lower product development activations.

The reversal of the provision for credit losses, which is included in the fixed costs for the second quarter, was three (3) thousand euros (Q2'22: increase in provision for loan losses 13).

The result before taxes was -254 thousand euros (-526), and the result for the review period was -249 thousand euros (-629). Earnings per share were EUR -0.015 (-0.039) per share. The result for April-June 2022 included 103 thousand euros in write-downs of tax receivables. There are no corresponding write-downs in the 2023 reporting period.

JANUARY-JUNE 2023

The group's EBITDA was positive in January-June and was 33 thousand euros (-471). The company's operating profit was still negative at -455 thousand euros, but it improved significantly compared to the comparison period (-988) thanks to the measures that the company actively took to improve the efficiency of operations, improve the cost structure and business profitability.

The group's variable expenses were 615 thousand euros (735), and they decreased by 16% compared to the comparison period. Expenses decreased mainly due to the fact the challenging software delivery projects in the Middle East were completed during the second quarter of the year. With this, the need for the use of external services also decreased significantly.

The group's fixed expenses were 3,987 thousand euros (4,465), i.e. 11% lower than the comparison period due to the personnel reductions and savings implemented in the last quarter of 2022 and the second quarter of 2023. Lower product development activations partially reduced the effects.

The reversal of the credit loss provision, which is included in the fixed costs of the half-year period, was two (2) thousand euros (January-June 2022: increase in the credit loss provision 37).

The result before taxes was -518 thousand euros (-1,009) and the result for the review period was -518 thousand euros (-1,009). Earnings per share were EUR -0.032 (-0.082) per share.

FINANCE AND INVESTMENTS

Cash flow from operations in the review period January-June was 660 thousand euros (-623). The change in operating cash flow compared to the comparison period 2022 was the result of a significant improvement in the result of the review period of 491 thousand euros and 845 thousand euros in working capital changes.

Trade and other receivables were EUR 795 thousand lower compared to the comparison period due to enhanced collection of trade receivables and invoicing of completed projects in the Middle East. In addition, the company received 302 thousand euros more in advance payments compared to the comparison period.

Net financing costs were 62 thousand euros (21), and they included exchange rate losses of 10 thousand euros (4).

The investments were 432 thousand euros (734), and they were product development investments.

The net cash flow from financing was -89 thousand euros, consisting mainly of rent payments for the company's premises. In the comparison period 2022, the net cash flow of the company's financing was 2,880 thousand euros, mainly due to the implemented rights issue.

The financial situation of the group is fair. At the end of the review period, the group's cash and cash equivalents were 156 thousand euros (1,918) and short-term receivables were 1,410 thousand euros (2,205). The company has enhanced the collection of its trade receivables. In addition, the group has available other short-term cash resources of 500 thousand euros. At the end of the review period, the group had a bank loan, of which EUR 1.0 million was long-term and EUR 500 thousand was short-term. Covenants are attached to the loan, which is based on the company's EBITDA and equity ratio. Regarding the covenants, the EBITDA is tested every six months and the equity ratio is tested

annually according to the situation on the last day of the year. EBITDA for the first half of the year exceeded the limit defined by the covenants.

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

Net debt in relation to equity (gearing) was 4303% (-13.5) and the equity ratio at the end of the review period was -1.1% (40.5%). The net debt ratio and the equity ratio were affected by the decrease in equity and cash resources, as well as the 5.5-year lease agreement for the company's head office premises concluded in the last quarter of 2022, where the monthly rental costs were significantly lower. The company entered into a new lease at the end of June 2023 due to the extensive water damage that occurred in the premises of its Helsinki head office. The lease term of the premises under renovation was shortened by about two years, and as the rent for the temporary bypass space was lower, the total rental debt and right-of-use assets decreased significantly.

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

PRODUCT DEVELOPMENT

QPR innovates and develops software products that analyze, measure, and model operations in organizations. The Company develops the following software products: QPR ProcessAnalyzer, QPR EnterpriseArchitect, QPR ProcessDesigner, and QPR Metrics.

In the second quarter of the year, product development expenses were EUR 355 thousand (827). Product development expenses worth EUR 270 thousand (344) were capitalized. The amortization of capitalized product development expenses was EUR 171 thousand (167).

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

PERSONNEL

At the end of the review period, the Group employed a total of 65 people (79). The average number of personnel during January-June was 67 (75). The number of personnel has decreased as a result of change negotiations that ended in the last quarter of 2022 and the second quarter of 2023.

The average age of employees was 45.5 (43.7) years. Women account for 26% (25) of employees, and men for 74% (75). Of all the personnel, 16% (18) work in sales and marketing, 43% (42) in consulting and customer service, 29% (31) in product development and 12% (9) in administration.

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

SHARES AND SHAREHOLDER

	Jan-June, 2023	Jan-June, 2022	Change, %	Jan-Dec, 2022
Trading of shares				
Shares traded, pcs	804,749	1,287,534	-37	2,263,135
Volume, EUR	501,548	1,677,990	-70	2,315,155
% of shares	5.0	8.0	-38	14.1
Average trading price, EUR	0.62	1.30	-52	1.02
Average trading value per day, EUR	1,990	6,659	-70	9,187
Treasury shares acquired during the year, pcs	0	0	0	0
	June 30, 2023	June 30, 2022	Change, %	Dec 31, 2022
Shares and market capitalization				
Total number of shares, pcs	16,455,321	16,455,321	0	16,455,321
Treasury shares, pcs	339,471	413,487	-18	413,487
Book counter value, EUR	0.11	0.11	-	0.11
Outstanding shares, pcs	16,115,850	16,041,834	0	16,041,834
Number of shareholders	1,830	1,653	11	1,747
Closing price, EUR	0.56	0.86	-35	0.56
Market capitalization, EUR	8,992,644	13,795,977	-35	8,983,427
Book counter value of all treasury shares, EUR	37,342	45,484	-18	45,484
Total purchase value of all treasury shares, EUR	347,552	405,726	-14	405,726
Treasury shares, % of all shares	2.1	2.5	-18	2.5

GOVERNANCE

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

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

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

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

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

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

Board of Directors and Auditor

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

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

Amendment of the Articles of Association

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

Reduction of the share capital

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

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

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

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

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

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

SHORT-TERM RISKS AND UNCERTAINTIES

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

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

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

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

CHANGES IN THE COMPANY'S MANAGEMENT

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.

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

EVENTS AFTER THE REVIEW PERIOD

QPR Software Plc is looking into a possible share issue during the third quarter of 2023

The company announced on July 3, 2023, that its Board of Directors is looking into the possibility of conducting a directed share issue during the third quarter of 2023 in order to strengthen the Company's equity and financial position.

The potential share issue would be conducted pursuant to the authorisation granted by the Annual General Meeting of the Company held on May 3, 2023, to decide on issuances of new shares and

conveyances of the own shares held by the Company either in one or more instalments, including the right to deviate from the shareholders' pre-emptive subscription right. 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 is 3,200,000 shares. The Company aims to raise approximately EUR 0.75–1.2 million through the share issue.

The Company has received an irrevocable commitment from its largest shareholder, Oy Fincorp Ab, to subscribe for new shares in the potential share issue for a minimum of EUR 750,000. The commitment is conditional upon the requirement that the subscription price per share in the potential share issue would, at the most, be the volume weighted average price of the Company's shares on Nasdaq Helsinki Ltd for the five (5) trading days preceding the Board's resolution on the beginning of the subscription period, however, so that the subscription price may not exceed the closing price of the Company's shares on Nasdaq Helsinki Ltd on the trading day preceding the Board's resolution on the subscription period in the potential share issue. The commitment is valid until August 31, 2023.

The Company noted in its interim report January–March 2023, that in the current market situation, the Company's business space is tight in terms of cash resources and equity ratio, while operations are still loss-making, and that the Company is actively taking measures to reach the guidance given for the financial year 2023.

The decision concerning the potential share issue and its terms and conditions will be made and communicated later on, and conducting the share issue is not certain. Evli Plc would act as the lead manager for the possible share issue.

The related stock exchange release published on 3 July 2023 can be found on the company's website in the Investors section.

FINANCIAL INFORMATION AND ANNUAL GENERAL MEETING

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

- Interim report January-September 2023 on Friday 20 October 2023

QPR's annual report 2022 was published on 20 March 2023 and QPR's 2023 annual general meeting was held on Wednesday 3 May 2023.

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

QPR SOFTWARE PLC

BOARD OF DIRECTORS

For further information:

Heikki Veijola

Chief Executive Officer

QPR Software Plc

Tel. +358 40 922 6029

About QPR Software

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

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FINANCIAL STATEMENT INFORMATION

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

EUR in thousands, unless otherwise indicated	April-June, 2023	April-June, 2022	Change, %	Jan-June, 2023	Jan-June, 2022	Change, %	Jan-Dec, 2022
Net sales	1 908	2 012	-5	4 146	4 213	-2	7 823
Other operating income	1	-	-	1	-	-	4
Materials and services	221	407	-46	615	735	-16	1 552
Employee benefit expenses	1 368	1 740	-21	2 967	3 551	-16	7 214
Other operating expenses	313	135	133	531	397	34	814
EBITDA	7	-270	103	33	-471	107	-1 753
Depreciation and amortization	238	245	-3	489	517	-5	1 017
Operating result	-231	-515	55	-455	-988	54	-2 770

Financial income and expenses	-23	-11	114	-62	-21	194	-62
Provisions	-	-	-	-	-	-	-33
Result before tax	-254	-526	52	-518	-1 009	49	-2 864
Income taxes	5	-103	-105	-	-	-	-3
Result for the period	-249	-629	60	-518	-1 009	49	-2 868
Earnings per share, EUR (basic and diluted)	-0,015	-0,039	61	-0,032	-0,082	61	-0,202
Consolidated statement of comprehensive income:							
Result for the period	-249	-629	60	-518	-1 009	49	-2 868
Exchange differences on translating foreign operations	0	0	-	1	1	-34	-2
Total comprehensive income	-249	-629	60	-517	-1 008	49	-2 870

CONDENSED CONSOLIDATED BALANCE SHEET

EUR in thousands	June 30, 2023	June 30, 2022	Change, %	Dec 31, 2022
Assets				
Non-current assets:				
Intangible assets	2,498	2,067	21	2,411
Goodwill	358	358	0	358
Tangible assets	114	168	-32	171
Right-of-use assets	338	62	447	756
Other non-current assets	277	281	-1	277
Total non-current assets	3,585	2,936	22	3,973
Current assets:				
Trade and other receivables	1,410	2,205	-36	3,452
Cash and cash equivalents	156	1,918	-92	17
Total current assets	1,566	4,123	-62	3,469
Total assets	5,151	7,059	-27	7,442
Equity and liabilities				
Equity:				
Share capital	1,359	1,359	0	1,359
Other funds	21	21	0	21
Treasury shares	-348	-406	-14	-406
Translation differences	-67	-66	-1	-66
Invested non-restricted equity fund	2,943	2,938	0	2,943
Retained earnings	-3,947	-1,456	-171	-3,364
Equity attributable to shareholders of the parent company	-39	2,390	-102	487
Non-current liabilities:				

Interest-bearing liabilities	1,000	-	-	-
Interest-bearing lease liabilities	243	-	-	609
Total non-current liabilities	1,243	-	-	609
Current liabilities:				
Provisions	-	-	-	33
Interest-bearing liabilities	500	1,500	-67	1,521
Interest-bearing lease liabilities	95	96	-1	149
Advances received	1,465	1,163	26	885
Accrued expenses and prepaid income	1,308	1,298	1	2,598
Trade and other payables	579	613	-6	1,161
Total current liabilities	3,947	4,669	-15	6,346
Total liabilities	5,190	4,669	11	6,955
Total equity and liabilities	5,151	7,059	-27	7,442

CONSOLIDATED CONDENCED CASH FLOW STATEMENT

EUR in thousands	April- June, 2023	April- June, 2022	Change, %	Jan- June, 2023	Jan- June, 2022	Change, %	Jan- Dec, 2022
Cash flow from operating activities:							
Result for the period	-249	-629	60	-518	-1,009	49	-2,868
Adjustments to the result	288	246	17	481	517	-7	874
Working capital changes*	153	-269	157	736	-109	776	307
Interest and other financial expenses paid	-4	-12	-70	-30	-21	43	-58
Interest and other financial income received	0	0	-	0	0	-	0
Income taxes paid	-5	-	-	-9	-	-	-21
Net cash from operating activities	185	-664	128	660	-623	206	-1,765
Cash flow from investing activities:							
Purchases of tangible and intangible assets	-158	-391	-60	-432	-734	-41	-1,355
Net cash used in investing activities	-158	-391	-60	-432	-734	-41	-1,355
Cash flow from financing activities:							
Proceeds from short term borrowings	-	-	-	1,500	-	-	1,521
Repayments of short term borrowings	-	-	-	-1,500	-	-	-1,500
Payment of lease liabilities	-44	-57	-23	-89	-135	-34	-266
Sales of own shares**	-	34	-	-	34	-	-
Share issue net	-	2,933	-	-	2,933	-	2,937
Net cash used in financing activities	-44	2,909	-102	-89	2,831	-103	2,692

Net change in cash and cash equivalents	-17	1,854	-101	139	1,474	-91	-427
Cash and cash equivalents at the beginning of the period	172	61	182	17	441	-96	441
Effects of exchange rate changes on cash and cash equivalents	1	2	-72	0	3	-88	3
Cash and cash equivalents at the end of the period	156	1,918	-92	156	1,918	-92	17

*includes interest-free short-term liabilities related to cash flow from investments

**The transfer of own shares in 2022 had no cash flow effect.

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						2	2
Disposal of own shares				34			34
Share issue ,net					2,933		2,933
Comprehensive income			1			-1,009	-1,008
Equity June 30, 2022	1,359	21	-67	-406	2,938	-1,455	2,390
Stock option scheme						-49	-49
Share issue ,net					5		5
Comprehensive income			1			-1,861	-1,860
Equity Dec 31, 2022	1,359	21	-66	-406	2,943	-3,364	487
Stock option scheme						-56	-56
Disposal of own shares				58		-10	48
Comprehensive income			-1			-517	-518
Equity June 30, 2023	1,359	21	-67	-348	2,943	-3,947	-39

NOTES TO INTERIM FINANCIAL STATEMENTS

ACCOUNTING PRINCIPLES

This report complies with the requirements of IAS 34 "Interim Financial Reporting". In the interim report, the same preparation principles and methods have been followed as in the previous annual financial statements. Taking into account the company's equity ratio, this interim report has been prepared on Going concern -basis, and it takes into account the result of the change negotiations announced by the company on 30 May 2023 and the plan announced by the company on 3 July 2023 to explore the possibilities of implementing a directed share issue during the third quarter of 2023 in order to strengthen the company's capital and financial position and the company's already largest

an irrevocable commitment received from the shareholder Oy Fincorp Ab to subscribe for new shares in a possible share issue under certain conditions for at least 750,000 euros.

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

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

INTANGIBLE AND TANGIBLE ASSETS

EUR in thousands	April-June, 2023	April-June, 2022	Jan-Dec, 2022
Increase in intangible assets:			
Acquisition cost Jan 1	14,217	12,846	12,846
Increase	432	685	1,371
Increase in tangible assets:			
Acquisition cost Jan 1	2,816	2,705	2,705
Increase	0	49	111

CHANGE IN INTEREST-BEARING LIABILITIES

EUR in thousands	April- June, 2023	April- June, 2022	Jan-Dec, 2022
Interest-bearing liabilities Jan 1	2,279	1,682	1,682
Proceeds from borrowings	1,500	-	597
IFRS 16	-332	-	-
Repayments	1,610	86	-
Interest-bearing liabilities Dec 31	1,837	1,596	2,279

PLEDGES AND COMMITMENTS

EUR in thousands	Jan-June, 2023	Jan-June, 2022	Dec 31, 2022	Change, %
Business mortgages (held by the Company)	2,380	2,384	2,382	0
Minimum lease payments based on lease agreements:				

Maturing in less than one year	42	20	47	-11
Maturing in 1-5 years	59	15	80	-26
Total	101	35	127	-21
Total pledges and commitments	2,480	2,419	2,509	-1

CONSOLIDATED INCOME STATEMENT BY QUARTER

EUR in thousands	April- June, 2023	April- June, 2023	Oct-Dec, 2022	Jul-Sep, 2022	Apr-Jun, 2022
Net sales	1,908	2,237	2,142	1,468	2,012
Other operating income	1	0	4	-	-
Materials and services	221	394	411	406	407
Employee benefit expenses	1,368	1,599	1,951	1,711	1,740
Other operating expenses	313	218	214	204	135
EBITDA	7	26	-430	-853	-270
Depreciation and amortization	238	251	251	249	245
Operating result	-231	-225	-681	-1,102	-515
Financial income and expenses	-23	-39	-32	-9	-11
Provisions	-	-	-33	-	-
Result before tax	-254	-264	-745	-1,111	-526
Income taxes	5	-5	-3	-	-103
Result for the period	-249	-269	-748	-1,111	-629

GROUP KEY FIGURES

EUR in thousands, unless otherwise indicated	Jan-June or June 30, 2023	Jan-June or June 30, 2022	Jan-Dec or Dec 31, 2022
Net sales	4,146	4,213	7,823
Net sales growth, %	-1.6	-16.4	-14.4
EBITDA	33	-471	-1,753
% of net sales	0.8	-11.2	-22.4
Operating result	-455	-988	-2,770
% of net sales	-11.0	-23.4	-35.4
Result before tax	-518	-1,009	-2,864

% of net sales	-12.5	-23.9	-36.6
Result for the period	-518	-1,009	-2,868
% of net sales	-12.5	-23.9	-36.7
Return on equity (per annum), %	-925.0	-286.2	-625.7
Return on investment (per annum), %	-101.6	-89.8	-120.3
Cash and cash equivalents	156	1,918	17
Net borrowings	1,682	-322	2,262
Equity	487	2,390	487
Gearing, %	4,303	-13.5	464.9
Equity ratio, %	-1.1	40.5	7.4
Total balance sheet	5,151	7,059	7,442
Investments in non-current assets	101	783	2,324
% of net sales	2.4	19	29.7
Product development expenses	866	1,431	2,674
% of net sales	20.9	34	34.2
Average number of personnel	66	78	81
Personnel at the beginning of period	85	80	80
Personnel at the end of period	60	81	85
Earnings per share, EUR (basic and diluted)	-0.032	-0.082	-0.202
Equity per share, EUR	-0.002	0.149	0.030