QPR

QPR Software

Annual Report 2022

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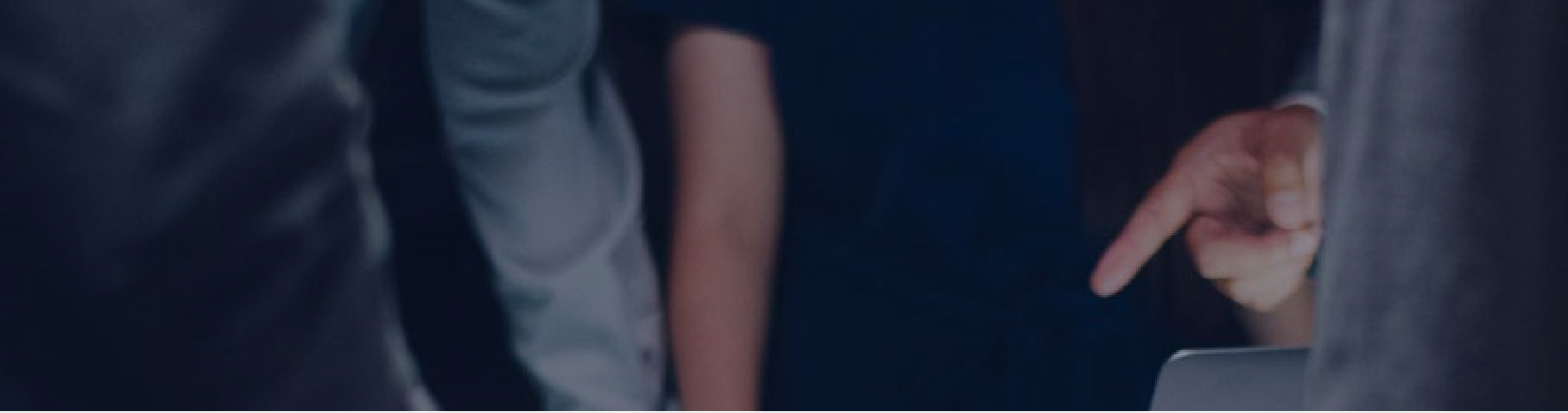

Our purpose, strategy and markets

OUR PURPOSE IS TO HELP ORGANIZATIONS REACH THEIR FULL OPERATIONAL POTENTIAL

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.

OUR STRATEGY AND STRATEGIC TARGETS

According to our strategy for 2022 – 2026, we will strongly invest in the international growth of the process mining SaaS (Software as a Service) business. We seek growth through a focused strategy where spearhead offerings in selected process mining solution areas are defined and packaged. Moreover, we are building new strategic partnerships and alliances to achieve a scalable go-to-market model, extend our own offering, and enhance customer value through technology and implementation partners.

We also invest in marketing and sales, especially in Northern and Central Europe as well as in the UK. Our comprehensive offering in process mining will be further developed based on customer and market insights, especially with increased AI and Machine Learning capabilities to drive process and decision intelligence. Our offering will drive intelligent automation of our customers' business processes and operations and secure their delivery of sustainable value and desired business outcomes.

Our existing customers and partners in the Middle East provide us with the opportunity to expand our regional offering to process mining. We focus on fostering continued success in license sales and the steadily growing recurring software maintenance revenue in this market, while simultaneously using our process mining solution as a growth engine to boost recurring SaaS revenue.

Consulting services are a key element of QPR's offering. The consulting business is expected to grow steadily throughout the strategy period thanks to our data-to-value concept. This service integrates process modeling capabilities with our excellence in process mining and insight discovery, which together secure customer value realization and successful solution adoption into the customer organization. Our consulting offering is further supported by tool-agnostic consulting service offerings.

With our strategy, instead of individual products and services, we move towards a more comprehensive, end-to-end harmonized offering: from scalable SaaS products to value delivery and continuous services. Our data-to-value concept is unique and is supported by a scalable go-to-market strategy, implemented through a combination of in-house capabilities and an expanded ecosystem of partners and alliances. Our

own lean functional organization enables us to rapidly turn growth investments into focused actions.

Our key strategic target for the strategy period is to accelerate SaaS growth and achieve a CAGR of over 30% in our SaaS business. In addition, our target is to more than double the annual recurring SaaS revenue from process mining by the end of 2024. The high growth ambition for our SaaS business means that at the end of the strategy period in 2026, most of the Company's revenue is recurring SaaS revenue.

Our secondary target is to grow the Company's annual net sales at a high single-digit percentage throughout the strategy period.

THE CURRENT STATE OF OUR MARKETS

The process mining market is continuing rapid growth. According to several market research companies and industry analysts, the process mining software market size reached an impressive USD 627 million in 2021 and is anticipated to increase from USD 933 million to USD 15 million by 2029.

Additionally, a large complementary market exists for process mining related consulting and services. The process and enterprise architecture modeling market has continued to grow steadily, with an estimated CAGR of 4 – 5%. The software market for strategic corporate performance management is mature and continues to grow steadily.

REVIEW BY THE CEO

The year 2022 was a year of change and renewal for QPR and it included successes on many fronts. For already more than three decades QPR Software has been leading innovation in software solutions and services that have produced concrete and deep understanding of processes for our customers around the world. As companies continue their transformation, automation, and digitization paths, we are here to help them to operate at their full potential through intelligent technology.

I am satisfied with the Company's fourth quarter growth. SaaS (Software as a Service) revenue grew significantly, by 53%, compared to the comparison period, mainly due to the significant agreement signed with a leading international pharmaceutical company at the end of December to expand their SaaS process mining solution. The turnover increased compared to the fourth quarter of 2021, while the operating profit remained unchanged, if the write-down of 2021 is not taken into account. The consulting turnover was also slightly higher than during the comparison period (+2%).

I'm also pleased that the SaaS business showed clear growth (+35%) throughout the year 2022, which is in line with the company's strategy. In addition to closing deals with the SaaS subscription model with new customers, we successfully transitioned some existing customers into the SaaS model while simultaneously expanding the business value (+45%).

Net sales in 2022 fell short of the last year (-14%). EBITDA and operating profit decreased clearly compared with 2021. The most significant factors were the decrease in perpetual licenses and challenges with the Middle East software delivery projects that were sold during previous years. The revenue of renewable software licenses decreased (-27%) which, however, is in line with our transition to SaaS business. Also, following Russia's attack on Ukraine in February 2022, we exited Russian market. Regarding the acquisition of new customers, the general economic uncertainty has partly postponed customers' decision making and the launch of new tenders.

Consulting revenues were below the previous year primarily due to the previously mentioned difficulties with certain Middle East software delivery projects, which will be completed in the beginning of the second quarter of 2023. The company had to reassess the timing of revenue and invoicing of several contracts related to software delivery projects concluded in 2020 and early 2021, as well as the project profitability, which weakened the consulting revenues and software maintenance revenues significantly in 2022.

The projects in question are fixed-price implementations of software solutions in the application area of strategy and performance management for public administration customers in the Middle East. Primarily because of this, on September 7, 2022, the company published a profit warning, as the revenue and operating profit were estimated to clearly fall short of the key figures reported for 2021. On September 20, 2022, QPR announced its plan to start change negotiations.

The change negotiations were completed on 7 November 2022. As a result of the negotiations, QPR aims to achieve significant annual cost savings. The intention of change negotiations was to adjust operations, improve the profitability of the business, and enhance the implementation of the company's strategy. The company is consolidating its organizational structure in such a way that it enables more efficient implementation of growth investments. In addition, the company has implemented and initiated significant measures to improve cost efficiency and to minimize the effects of the general rise in cost levels in all operations. The company has also initiated measures to find outsourcing partners for customer deliveries of software solutions in the application area of strategy and performance management.

In March 2022, we published the company's new growth strategy. Adhering to the renewed strategy for 2022 – 2026, the company focuses on the international growth of the process mining SaaS business. The strategy enables growth through investments that are scalable and targeted at selected application areas of process mining. Additionally, the company builds new strategic partnerships to extend its offering. Consulting is also a key part of QPR's offering. QPR provides professional advice, guidance, and actionable solutions to businesses experiencing issues that they are unable to solve internally.

We have taken important steps in implementing the new strategy during the past year. The year 2022 was also significant due to renewed sales and marketing activities, the creation of significant new partnerships, and the development of our global ecosystem. I am very happy about the oversubscription of QPR's rights issue in May-June and the great interest of investors in the implementation of our company's growth strategy. QPR is fortunate to have owners and shareholders who have shown us their unwavering support, particularly during 2022, by investing in our transformation.

During the year, we succeeded in launching ground-breaking new process mining solutions to the market. In May 2022, we announced a new production version of QPR's process mining software QPR ProcessAnalyzer, which offers our customers the opportunity to improve operations and find cost savings by combining a deep understanding of business processes with real-time process transparency. The solution uses the market-leading Snowflake Data Cloud technology. QPR ProcessAnalyzer is the first and only process mining solution that runs natively on the Snowflake data cloud. QPR is globally the first and currently the only Powered by Snowflake process mining -partner.

At the end of the third quarter, together with our partner Tietoevry, QPR announced a new process mining solution, SAP S/4HANA Vectorial. SAP S/4HANA Vectorial is designed for customers and SAP and business -analysts as a tool for S/4HANA transformation projects. Such projects are currently of high relevance for organizations around the world. QPR and Tietoevry have combined modern technology with the SAP transformation experience of top experts to create a solution that gives organizations much-needed support in difficult digital transformation projects. I believe this is a significant solution that stands out from our competitors in ensuring successful implementation of ERP and IT system projects in the international market.

In the second half of the year, QPR succeeded to close a significant contract to expand process mining SaaS cooperation with a leading international pharmaceutical company. We also delivered a process modeling SaaS -solution for a global specialty chemical pioneer. These are examples of our commercial successes. Furthermore, I am also grateful for the success, commitment, and dedication of our consultants in numerous successful projects for our domestic and international customers.

In 2023, QPR continues to implement its strategy to ensure continuous, international growth of the process mining SaaS business. As part of the defined measures, the company focuses its operations even more strongly on research and development of innovative process mining solutions and on ensuring the efficiency of sales, marketing, and partner business.

The exceptional circumstances caused by raised interest rates, inflation, rising geopolitical risks, and a market downturn in Europe continue to affect new customer acquisition, companies' investments, and prolong their decision-making in early 2023.

Supported by the existing contract base and forecasted growth in SaaS (Software as a Service) revenue, QPR expects the SaaS revenue growth to be above 35% and estimates its net sales to increase (2022: 7,823 thousand euros) in 2023.

The company expects notable EBITDA improvement leading to level of break even in the 2023 financial year.

I want to warmly thank all our customers, partners, personnel and shareholders for your valuable contribution and cooperation in 2022.

We look forward to exploring new growth and value creation opportunities with you in 2023 and beyond.

Heikki Veijola
Chief Executive Officer

Board of Directors and Executive Management Team

BOARD OF DIRECTORS

The Board of Directors oversees the company's management and organizes the operations as appropriate. The Board validates the principles concerning the company's strategy, organization, accounting, and financial control and appoints the company's CEO. The Board's work is determined by the Board's rules of procedure, which e.g. to determine the matters requiring consideration by the Board. The CEO is responsible for executing the company's strategy and managing current matters in accordance with the instructions and regulations issued by the Board.

QPR Software Plc's general meeting elected the board members at the annual general meeting on April 6, 2022. In the meeting, it was decided that the Board of Directors consists of four members. The elected board members are Pertti Ervi, Matti Heikkonen, Antti Koskela, and Jukka Tapaninen. The Board elected Pertti Ervi as the Chairman of the Board. The Board did not form committees due to the small scope of the business and the size of the Board.

QPR's Board members have broad, deep, and strategic expertise and strong experience in the technology sector as well as software business development, growth, and internationalization.

MEMBERS OF THE BOARD OF DIRECTORS

Pertti Ervi
Chairman
of the Board
b. 1957, engineer

About
- Chairman of the Board since March 2021.

Key experience
- Independent management consultant and professional board member
- Computer 2000 AG, Co-CEO 1995 – 2000.
- Computer 2000 Finland Oy, Founding Member and Managing Director 1983 – 1995.

Key positions of trust
- Chairman of the Board, F-Secure Oyj, 2022 – present
- Member of the Board, WithSecure Oyj, 2003 – present
- Member and Chairman of the Board, Efecte Oyj, 2008 – present
- Chairman of the Board, Mintly Oy, 2017 – 2022
- Member of the Board, Pointsharp Holding AB, 2021 – present
- Member and Chairman of the Board, Teleste Oyj, 2009 – 2020
- Member and Chairman of the Board, Comptel Oyj, 2011 – 2017
- Chairman of the Board, Stonesoft Oyj, 2004 – 2007

Antti Koskela
Member of the Board
b. 1971
Master of Science in
Technology

About
- Member of the Board since March 2021.

Key experience
- WithSecure Oyj, Executive Vice President and Chief Product Officer, 2021 – present
- Elisa Oyj, Vice President, Business Development, 2020 – 2021
- Nokia Software, CDO and Vice President, 2018 – 2020
- Comptel, CTO and Executive Vice President, 2011 – 2017
- Nokia Siemens Networks, various managerial positions, 2007 – 2011
- Nokia Networks, various managerial positions, 1999 – 2007

MEMBERS OF THE BOARD OF DIRECTORS

Matti Heikkonen
Member of the Board
b. 1976
Master of Science in Technology

About
- Member of the Board since March 2021.

Key experience
- Enreach for Enterprises, CEO, 2021 – present
- Benemen Oy, CEO, 2018 – 2021
- Questback AS, EVP Global Operations, 2010 – 2018
- Digium Oy, CEO, 2007 – 2010
- Nokia, various managerial positions, 2004 – 2007
- Various CEO and managerial positions in the software industry, 1998 – 2004

Key positions of trust
- Chairman of the Board, Benemen Oy, 2017 – 2018
- Member of the Board and Audit Committee, F-Secure Oyj, 2013 – 2019
- Member and Chairman of the Board, Mobile Wellness Solutions MWS Oy, 2015 – 2019
- Member and Chairman of the Board, The Finnish Software and E-business • Association, 2004 – 2017
- Member of the Board, Ixonos Oyj, 2011 – 2015

Jukka Tapaninen
Member of the Board
b. 1963
Master of Science in Economics

About
- Member of the Board since March 2021.

Key experience
- Aiforia Technologies, CEO, 2020 – present
- Pegasystems, VP and Managing Director EMEA, APAC and Japan, 2016 – 2020
- SAP, Vice President Global/EMEA, 2005 – 2016
- Basware, SVP and General Manager, 2002 – 2005
- Stonesoft Inc, CEO Americas, 2000 – 2002
- HP, Regional and Global managerial roles, Sales and Business Development, 1995 – 2000

Key positions of trust
- Vice Chairman of the Board, Aiforia Oy, 2015 – 2020
- Member of the Board, WeVision Oy, 2014 – present
- Member of the Board, Meshworks Wireless Oy, 2011 – present
- Chairman of the Board, Addoro Ab, 2014 – 2017 (acquisition)
- Member of the Board, Findity Ab, 2013 – 2016
- Member of the Board, VeliQ B.V., 2015

EXECUTIVE MANAGEMENT TEAM

Heikki Veijola
CEO

b. 1970
Master of Science in Economics

About
- The Company’s CEO since March 2023
- Member of the Executive Management Team since March 2023

Area of Responsibility
Heikki Veijola started as the CEO of QPR Software Oyj on March 1, 2023. As the CEO of QPR Software, Heikki Veijola is responsible for managing the running administration of the Company in accordance with the instructions and regulations issued by the Board of Directors. Veijola is also responsible for representing the Company, its operational management, sales and partner operations, human resources, and preparation of decisions and implementation thereof that belong to the Board of Directors.

Experience
Veijola has most recently served as Enreach Oy’s Director of Strategic Partnerships and a member of the executive management team, being responsible for business operations in the Microsoft and Salesforce ecosystems as well as for cooperation with system integrators, consultants, and other strategic partnerships, especially in Northern Europe. Before this, Veijola was the Sales Director of Enreach Oy.

Veijola has strong experience in building and renewing sales, international growth, partner ecosystems, and cloud- and SaaS (Software as a Service) businesses. During his career, Veijola has also worked for 11 years in Finland's largest marketing group Salomaa Group as a CEO of KASKI Agency, and advertising agency Adsek Oy, leading the companies through two industry transformations.

Education
Veijola has a master's degree in Economics (M.Sc., Turku School of Economics and Business Administration) majoring in International Marketing.

Mervi Kerkelä-Hiltunen
CFO

b. 1975
Master of Science in Economics

About
- Member of the Executive Management Team since August 2022

Area of responsibility
Kerkelä-Hiltunen is responsible for QPR Software's finance and administration, including external and internal reporting, monitoring and managing the financial performance of the business, capital allocation and procurement. She also oversees investor relations, compliance with the Insider Trading Manual, coordination of risk management and treasury functions.

Experience
Kerkelä-Hiltunen has more than 20 years of solid expertise in finance and management, as well as a wealth of knowledge in the fields of telecom, technology and manufacturing industries in business-to-business, and consulting. Before joining QPR, she was in charge of the Deloitte Finance and Performance Energy, Resources and Industrial clients portfolio, business finance offering as well as regional CFO program coordination.

Prior to joining Deloitte, Mervi had a lengthy career at Nokia where she held a variety of global financial management positions, including Head of Finance Transformation and Group Functions, Finance Process Owner, Head of Business Reporting, and ss the CFO and Chair of the Board of the Indian mobile phone factory and company.

Education:
Mervi holds a Master's degree in Economics from the University of Oulu and has also completed the Finance Executive program at Aalto Executive Education and the Good Board Member (HHJ) training.

Matti Erkheikki
Chief of Products and Alliances

b. 1978
Master’s Degree in Industrial Engineering and Management

About
- Member of the Executive Management Team since July 2007

Area of Responsibility
Matti Erkheikki is the head of QPR's product management unit and is responsible for QPR's products and the vision and strategy of the product portfolio. It is on Erkheikki's responsibility that the Company's products and their characteristics are in line with the organization's goals and that the product portfolio is constantly developed and improved in accordance with the needs of customers and target groups.

Experience
Erkheikki has been employed by QPR since 2002, first as a consultant, participating in QPR's delivery projects both domestically and internationally. In 2005, Erkheikki worked as the company's development manager, and in 2006 as the regional manager responsible for the USA and Canada operations in California at QPR's American subsidiary. In the years 2007–2014, he as responsible for QPR's Finnish business and in the years 2012–2014 also for the global OEM business. Prior to his current position, since January 2015, he has held the role of Business Director, responsible for QPR's process mining and strategy management operations internationally.

Education
Erkheikki holds a master's degree in industrial engineering and management.

EXECUTIVE MANAGEMENT TEAM

Tero Aspinen
VP, Middle-East Business

b. 1985
Master's Degree in Industrial Engineering and Management

About

- Member of the Executive Management Team since January 2017

Area of Responsibility

Tero Aspinen is responsible for the development and sales of Performance Management solutions globally and QPR's business in the Middle East market.

Experience

Tero Aspinen has served QPR Software in various roles since 2008. He has been involved in more than a hundred customer cases where organizations have implemented QPR's solutions. Prior to his current role, Mr. Aspinen worked as Vice President for Middle East Business and Performance Management Solutions (2017–2022).

Education

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

Pekka Keskiivari
CTO

b. 1964
Master of Science in Engineering

About

- Member of the Executive Management Team since March 2019

Area of Responsibility

Pekka Keskiivari is responsible for QPR's software product development, cloud service development and production, and customer care services.

Experience

Pekka Keskiivari has over 25 years of experience in software development and ICT services. Prior to joining QPR, he worked as Chief Technology Officer for Diktamen Oy in 2014–2019 and CRF Health in 2006–2014. Before this, Keskiivari held various management and executive positions at Sonera Corporation in the area of Product Development and Management during 1996–2006. Prior to this, he worked for Neste Oyj in various roles in software development and ICT services.

Education

Pekka Keskiivari has a Master's degree in Engineering from Helsinki University of Technology as well as having done postgraduate studies at MIT and Aalto University.

Sanna Salo
CMO

b. 1977
Master of Science in Economics

About

- Member of the Executive Management Team since February 2022

Area of Responsibility

Sanna Salo is responsible for the strategy, planning, development, and implementation of QPR Software's brand, marketing, communication, and stock exchange communication.

Experience

Salo has more than 20 years of experience of B2B business in the IT industry through various positions in sales, marketing, and communication. Before starting at QPR, Salo worked as the Marketing and Communications Director of B2B digital marketing solutions provider Fonecta Oy. Before Fonecta, Salo worked for ten years at International Business Machines Corporation (IBM), holding various management positions in marketing both in Finland and in the Nordic countries. Before this, Salo worked for nine years at Atea Finland Oy in a range of marketing, communication, and sales positions.

Education

Salo has a Master's degree in Economics (M.Sc., Turku School of Economics and Business Administration) majoring in marketing. Salo also has a Bachelor of Business Administrarion (B.Sc.) degree in international business from Häme University of Applied Sciences.

EXECUTIVE MANAGEMENT TEAM

Teemu Lehto
VP, Consulting

b. 1970
Doctor of Science (Technology)

About

- Member of the Executive Management Team since March 2023

Area of Responsibility

Teemu Lehto is responsible for QPR Software's consulting business.

Experience

Teemu Lehto has worked in management and expert positions at QPR Software for over 20 years. During his long career at QPR, Lehto has been responsible for the consulting business, marketing and communication, product development, as well as sales and partnerships.

Before joining QPR, Lehto worked as CEO of Planway Oy, as the development manager of ICL Data Oy, and as the product development manager of ViSolutions Oy. He has also previously worked as a software engineer at Nokia Research Center and Systeemikonsultit Oy.

Education

Lehto holds a Doctoral degree in Technology.

Eric Allart
CRO

b. 1963
Graduate of IPAG Business School

About

- Member of the Executive Management Team since June 2022

Area of Responsibility

Eric Allart is responsible for QPR Software's global sales, customer relations and all operations related to revenue growth.

Experience

Eric has strong experience in promoting the growth of sales of business software and software services (Software as a Service). He has helped grow several mid-sized ERP, CRM, and Supply Management innovators into market leaders. Before moving to QPR, Allart worked at Signavio, where he lead the growth of the EMEA South market business into one of the company's most profitable regions.

Education

Eric Allart is graduate of IPAG Business School, Finance Major.

Johanna Lähde
Director, People and Culture

b. 1970
Bachelor of Social Sciences

About

- Member of the Executive Management Team since August 2022

Area of Responsibility

Johanna Lähde is responsible for providing HR strategic and operational leadership across the organization. Lähde is also responsible for the personnel development as well as the Company's operating methods and customer-oriented operating culture.

Experience

Lähde is experienced in successful human resource management and business transformation in growth companies. Before joining QPR, Lähde was responsible of talent development and learning and development methodologies at Sofigate.

Additionally, Lähde has worked as HR Director and HR Manager in various ICT companies like Fujitsu and Headstart for over 20 years.

Education

Johanna Lähde has a Bachelor's degree in Social Sciences.

QPR Software

Board Review and Financial Statement 2022

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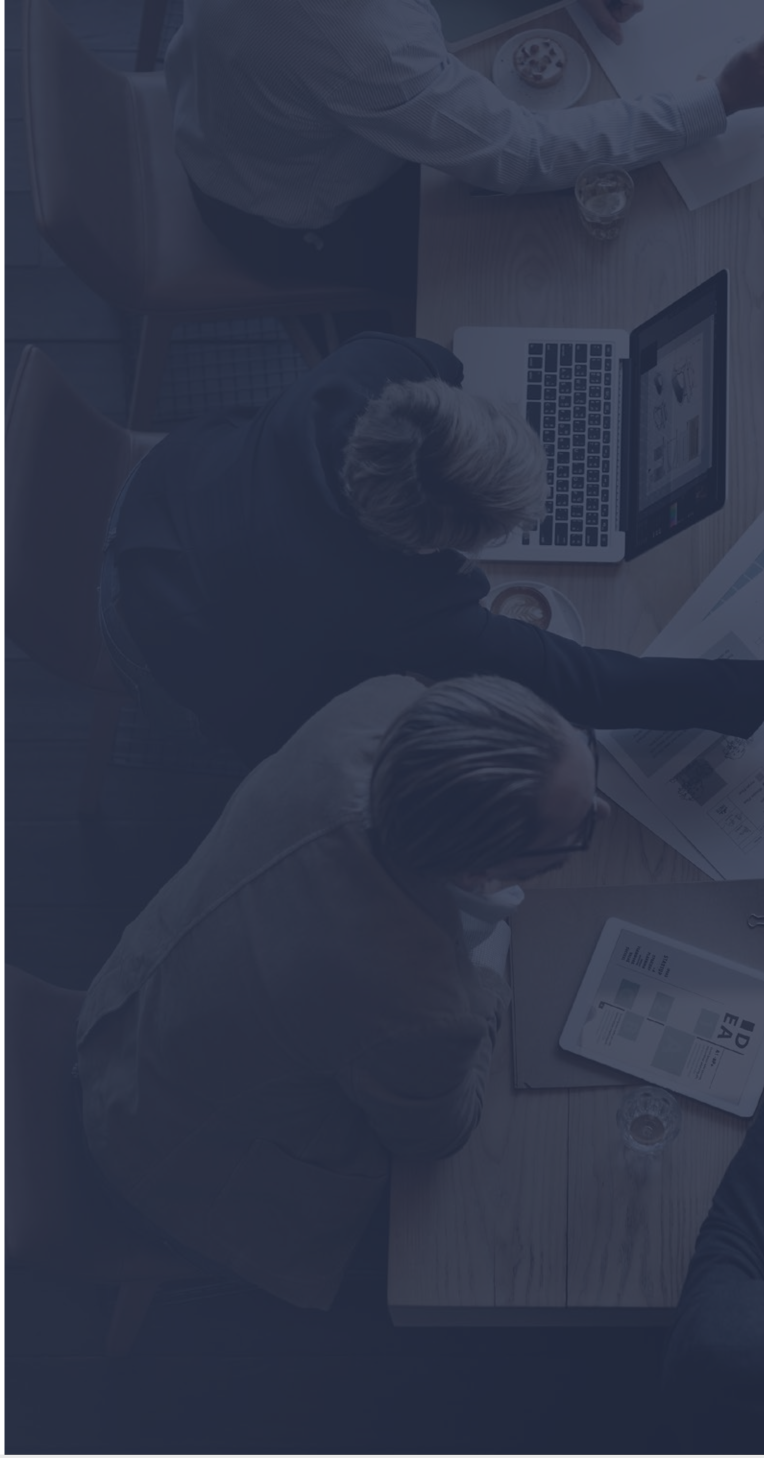


QPR

Report of the Board of Directors

SUMMARY OF THE FULL YEAR 2022

- SaaS software business grew +35%
- Net sales amounted to EUR 7,823 thousand and decreased 14% (January-December 2021: 9,140)
- EBITDA amounted to EUR -1,753 thousand (241)
- Operating result (EBIT) amounted to EUR -2,770 thousand (-1,248)
- Result before taxes was EUR -2,864 thousand (-1,356)
- Result for the period was EUR -2,868 thousand (-1,356)
- Earnings per share was EUR -0.202 (-0.113)
- The write-downs of 373 thousand euros made in connection with the financial statements weakened the operating income

BUSINESS OPERATIONS

QPR's purpose is to help customers achieve more with less – to drive process and business transparency, ensure their compliance, and create actionable intelligence for sustainable outcomes. We innovate, develop, and sell software for analyzing, monitoring, and modeling organizations' operations while adding value to customers' existing knowledge capital. In addition, we offer our customers a wide range of consulting services.

QPR Software reports one business segment, 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.

NET SALES

Net sales between January and December amounted to EUR 7,823 thousand (9,140). Recurring revenue accounted for 53% (45) of net sales.

Group net sales in Finland decreased by 11%, the rest of Europe increased by 2% and the rest of the world decreased by 48%. The decline in Finland is related to fluctuation of demand with the public sector and decrease in the rest of the world is primarily due to Middle East projects. Growth in Europe is in line with our internationalization strategy. Of the net sales, 53% (50) derived from Finland, 35% (29) from the rest of Europe (including Turkey), and 12% (20) from the rest of the world.

During the year 2022, the company strategy was revised to bring SaaS sales into focus. Throughout the year 2022, SaaS business grew by 35%, with net new customer acquisition and expansion of existing SaaS agreements as well as through transitioning from license and maintenance invoicing model. Along with the transition, recurring contract revenues were on average expanded by 45%. The share of recurring revenue has developed in a direction in line with the strategy and the share of revenue has increased by 8% from the comparison period. License revenue declined compared to the comparison year due to the adverse impact of transitioning to a SaaS model, and to a larger extent due to the challenges with Middle East contracts made in 2020-2021, and to a lesser extent due to Russian business closure and foreign currency impact.

Consulting net sales was EUR 3,139 thousand (3,709) where the decrease was due to Middle East project challenges and fluctuations in the demand of the Finnish public administration customers.

NET SALES BY PRODUCT GROUP

The Group’s net sales derive from software and consulting businesses are broken down as follows:

	Group, IFRS (EUR 1,000)		Change %
	2022	2021	**2022**
Software licenses	560	1,317	-57
Renewable software licenses	583	797	-27
Software maintenance services	1,803	2,034	-11
Cloud services	1,738	1,283	35
Consulting services	3,139	3,710	-15
Total net sales	**7,823**	**9,140**	**-14**

NET SALES BY GEOGRAPHIC AREA

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 customer’s location. The company has closed its business and partnerships in Russia for the time being.

	Group, IFRS (EUR 1 000)		Change %
	2022	2021	**2022**
Finland	4,126	4,614	-11
Europe incl. Russia and Turkey	2,745	2,689	2
Rest of the world	953	1,837	-48
Total net sales	**7,823**	**9,140**	**-14**

FINANCIAL PERFORMANCE

The Group's EBITDA was -1,753 thousand euros (241) and the operating result was -2,770 thousand euros (-1,248). The operating result was weakened by the decreased revenue due to the timing of the Middle East project's monetization, the absence of significant new license sales, and the higher operating expenses.

The group's expenses were 8% higher than the comparison period due to significant subcontracting costs for projects in the Middle East, as well as investments in product development, marketing, and international sales in line with the SaaS business focus of the strategy.

In summary, the Middle East contracts concluded in 2020 and early 2021 have affected the company's profitability and cash flow in 2021 compared to 2022 with higher license income, higher subcontracting costs in 2022, and partly by committing QPR's resources to non-billable work in these projects instead of other client projects. According to the latest estimates, the projects will be completed in the beginning of the second quarter of 2023.

As a result of the change negotiations which ended 7 November 2022 the company aims for significant annual savings. The intent of the change negotiations was to adjust operations, improve the profitability of the business, and enhance the implementation of the company's strategy. The company is consolidating its organizational structure in such a way that it enables more efficient implementation of growth investments. In addition, the company has implemented and initiated significant measures to improve cost efficiency and to minimize the effects of the general rise in cost levels in all operations. The company has also initiated measures to find outsourcing partners for customer deliveries of software solutions in the application area of strategy and performance management.

The result for the review period was -2,868 thousand euros (-1,356) and the profit per share was -0.202 euros (-0.113) per share.

FINANCE AND INVESTMENTS

Cash flow from operations in the review period, was -1,798 thousand euros (692). The change in operating cash flow compared to 2021 was due to operating loss and changes in working capital. In practical terms, Middle East projects caused the majority of the change in operating cash flow, along with operative investments in internationalization and R&D.

Net financial expenses were 62 thousand euros (108), and they included exchange rate losses of 20 thousand euros (12). In 2021, the costs include a one-time guaranteed payment related to the completed project, which the company paid in January 2021.

The investments were 1,353 thousand euros (942), and they were mainly product development investments.

Net cash from financing activities was 2,726 thousand euros primarily from the rights issue.

The Group's financial position is fair. At the end of the review period, the Group's cash assets were EUR 17 thousand (441), with 3,452 thousand (2,694) current receivables. Out of the receivables, 82% are in euros and most invoices were not due (69%). The share of overdue receivables between 1-30 days was 23%, between 30-60 days 6%, and over 60 days was 3% of the total amount of current receivables. The company has changed the invoicing cycle and improved the efficiency of its collections. In addition, the Group has other short-term cash resources of 1 million Euros available, which will decrease to 500,000 euros at the end of February 2023. At the end of the review period, the group had 1,500 thousand euros of short-term bank loans.

The financial statement has been prepared on the Going Concern principle. QPR Software entered into a new financing agreement of 1.5 million euros with its main financing bank on 24 January 2023. This financing agreement replaces and refinances the company's current loan and prepares for future growth-supporting working capital needs. The new loan has a three-year loan term and matures on January 31, 2026.

In accordance with the financing agreement, the first installment of EUR 0.5 million is due on January 31, 2024. After this, installments of EUR 0.5 million are due every year in January. The company will withdraw the loan in April 2023 and convert it into the current and long-term interest-bearing loan.

Net debt in relation to equity (Gearing) was 465% (289) and the equity ratio was 7.4% (8.3). The net debt ratio and the equity ratio were affected by the decrease in equity and cash resources, as well as a lease agreement made on November 1, 2022 for the 5.5-year period related to the head office premises, where the annual rental costs are significantly lower.

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.

Product development expenses for the full year were 2,674 thousand euros (2,115) and product development expenses were capitalized in the balance sheet in the amount of 1,336 thousand euros (750). Product development depreciation of 660 thousand euros (953) was recorded. In 2021 there was a 218 thousand euros R&D asset write-off. The amortization period for capitalized product development expenses is four years.

PERSONNEL

At the end of the financial year, the Group employed a total of 85 people (82). The average number of personnel during the year 2022 was 81 (80).

The average age of employees was 44 (42.7) years. Women account for 26% (25) of employees, and men for 74% (75). Of all personnel, 17% (19) work in sales and marketing, 44% (42) in consulting and customer care, 30% (31) in product development, and 9% (8) in administration.

Personnel expenses were EUR 7,241 thousand (6,824). Salaries and remunerations accounted for EUR 5,995 thousand (5,691)

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 turnover development of the group and profit units. In addition, the company has an option program for key personnel.

STRUCTURAL CHANGE IN THE GROUP

QPR Software Plc established a branch in France during 2022.

STOCK OPTION PLAN

The Board of Directors of QPR Software Plc decided in a meeting held on August 15, 2022, to launch a new key employee stock option plan, based on the authorization granted at the Annual General Meeting.

QPR Software is operating with 2019A, 2019B and 2022 stock option plans intending to use these as part of the Group's incentive and commitment program for the key employees. The purpose of the stock options is to encourage the key employees to work on a long-term basis to increase the shareholder value and retain the key employees at the company. The stock options are issued gratuitously.

The option plan 2019 A and B provides for the issuance of up to 910,000 options and option plan 2022 maximum 489,542 options. Each option entitles its holder to subscribe for one share.

Out of the 2019 stock option plan, 437,000 options are marked with the symbol 2019A and 473,000 options are marked with the symbol 2019B. The subscription period for stock options marked 2019 A is January 1,2022 - January 31, 2023 and for stock options marked 2019B January 1,2023 - January 31,2024.

The allocated number of shares, subscribed by exercising 2019 stock options issued corresponds to a maximum total of 3.8 per cent of all shares and votes of the shares in the company after the potential share subscriptions, if new shares are issued in the share subscription. After the share subscriptions with allocated stock options, the number of the company's shares may be increased by a maximum total of 638,000 shares, if new shares are issued in the share subscription.

The share subscription price for stock options 2019A is EUR 1.70 per share, which corresponds to the market price of the company's share at the time of issuance. The share subscription price for stock options 2019B is EUR 2.55 per share, which corresponded to the market price of the company's share with an addition of 50 per cent at the time of issuance. The theoretical market value of stock options 2019 is approximately EUR 83 thousand in total. On December 31, 2022, out of stock option plan 2019 A, no subscription has been made.

The stock option plan 2022 is marked with the symbol 2022. The Share subscription period with the Stock Options shall be 15 June 2025 - 31 May 2027. The number of shares for the stock option plan 2022, subscribed by exercising stock options corresponds to a maximum of 2.9% of the Company's shares and votes after possible share subscriptions, if new shares are issued in the share subscription. As a result of the share subscriptions with stock options, the number of the Company's shares may increase by a maximum of 489,542 shares, if new shares are issued in the share subscription.

The share subscription price for stock options 2022 is EUR 0.85 per share, which corresponds to the market price of the company's share at the time of issuance. The theoretical market value of stock option 2022 is approximately EUR 88 thousand in total.

The terms and conditions of the stock option plans for 2019 and 2022 are available on the company's webpage www.qpr.com/company/investors.

STRATEGY

We innovate, develop, and sell software and related services for analyzing, monitoring, and modeling organizations' operations. In addition, we offer customers consulting services for operational improvement and for managing digital transformation and change.

We will further accelerate product development by increasing the number of resources in a controlled manner and by using external partners to enhance the flexibility of our product development capacity. In software development, we place a special focus on excellent user experience and the scalability of our product portfolio as part of our SaaS offering.

In our product development, we focus on meeting customer challenges, especially in streamlining, improving, and automating key business processes and operations in digitalizing environments. We especially focus on process mining and the related process reporting and automation.

We aim for strong international growth in the next few years, especially in software products offered as SaaS. To achieve this goal, we are investing in international marketing, sales, scalable product portfolio, and continuous services in selected focus areas of the process mining business. We are also actively seeking strategic partnerships to strengthen our international software sales as well as product and service development.

The company published its new growth strategy (2022-2026) in March 2022. The stock exchange release related to the announcement of the new strategy can be found on the Company's website in the Investors' section.

THE PARENT COMPANY'S FINANCIAL PERFORMANCE AND POSITION

Parent company Net Sales was EUR 7,234,554 and it declined 16% from the comparable period (2021: 8,705,482). The decline in Net Sales was due to lower license and consulting sales partly netted of by higher SaaS revenue. The Parent company's operative loss was -33% of net sales and it was EUR -2,375,022 (2021: -436,649, 5%). In addition to the decrease of net sales, the change in operating result was due to higher expenses for internationalization, marketing, as well as costs related to Middle East project. Return for own equity declined to -180 % (2021: -49%) and the own equity ratio was 18% (2021: 16%).

SHARE CAPITAL, SHAREHOLDERS, AND SHARES

The Company's share capital at the end of the year 2022 was EUR 1,359,090 divided into 16,455,321 shares.

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

At the end of the year, the Company had a total of 1,747 shareholders (1,509). During the year, trading in the Company's shares amounted to EUR 2,315 thousand (6,255), which is an average of EUR 9,187 per trading day (24,823).

Trading in shares was on total 2,263,135 shares (3,323,915). Turnover in shares corresponds to 14.1% (27.7) of the total shares outstanding and the average price was EUR 1.02 per share (1.88). The highest closing price of the year was EUR 1.86 (2.38) and the lowest EUR 0.53 (1.48).

At the end of the year, the total market value of the Company's outstanding shares was EUR 8,983 thousand at the closing price of EUR 0.56. Additional information presented in Note 34.

On 23 February 2022, QPR Software received a flagging notice from Oy Finncorp Ab pursuant to Chapter 9, Section 5 of the Securities Markets Act (AML), according to which its direct share ownership of the total number of shares and votes in QPR Software Plc had increased to more than fifteen (15) percent.

On March 21, 2022, the Company received a flagging notification pursuant to Chapter 9, Section 5 of the Securities Markets Act (AML), according to which Pohjolan Rahoitus Oy's direct share ownership of the total number of shares and votes in QPR Software Plc had decreased to less than five (5) percent.

Major shareholders of QPR Software Plc, December 30, 2022

Registered shareholders	No. Shares	% of shares and votes
OY FINCORP AB	2,910,339	18
LESKINEN VESA-PEKKA ILMARI:	1,768,759	11
LESKINEN VESA-PEKKA ILMARI	1,135,200	7
KAUPPAMAINOS OY	633,559	4
UMO CAPITAL OY	971,900	6
AC INVEST OY	904,242	5
SIILASMAA RISTO KALEVI	805,333	5
LAAKSO JANNE JUHANI	652,924	4
PELKONEN JOUKO ANTERO:	560,800	4
POHJOLAN RAHOITUS OY	560,400	3
PELKONEN JOUKO ANTERO	400	0
LAMY OY	553,249	3
JUNKKONEN KARI JUHANI	520,824	3
PIEKKOLA ASKO	413,917	3
QPR SOFTWARE OYJ	413,487	3
OY TALCOM AB	394,432	2
LESKINEN VELI-MIKKO ILMARI	310,040	2
TRADEIRA OY	204,842	1
KEMPE PIA PAULINA	143,333	1
OY CATA-HOLDING AB	100,000	1
HIRVILAMMI HANNU ESA	66,666	0
NORDCENTERIN NUORISOVALMENNUKSEN EDISTÄMISSÄÄTIÖ	66,666	0
KEMPE ANNA CARITA	60,000	0
VASAMA JUSSI SAMULI	58,380	0
20 largest shareholders, total	11,880,133	72
Other shareholders, total	4,575,188	28
TOTAL	**16,455,321**	**100**

*exclude nominee registered shareholders

Distribution of shareholding by size, December 30, 2022

	Shareholders		Shares and votes	
Number of Shares	**Number**	**%**	**Number**	**%**
1–500	1,121	64.2	151,347	0.9
501–1,000	217	12.4	169,657	1.0
1,001–5,000	277	15.9	626,174	3.8
5,001–10,000	53	3.0	369,562	2.2
10,001–50,000	54	3.1	1,247,398	7.6
50,001–100,000	8	0.5	542,080	3.3
100,001–1,700,000	17	1.0	13,349,103	81
TOAL	**1,747**	**100**	**16,455,321**	**100**
of which nominee registered	7		1,973,633	12

Distribution of shareholding by sector, December 30, 2022

	Shareholder		Shares and votes	
Sector	**Number**	**%**	**Number**	**%**
Private companies	48	2.7	4,465,303	27.1
Financial and insurance institutions	7	0.4	5,425,873	33.0
Households	1,681	96.2	6,388,847	38.8
Non profit organizations	2	0	66,667	0.4
European union	4	0	101,526	0.6
Other countries	5	0.2	7,105	0.04
TOTAL	**1,747**	**100**	**16,455,321**	**100**
of which nominee registered	7		1,973,677	12.0

QPR Software shareholding by insiders and closely related persons, December 30, 2022

Name and position	Number of shares	By controlled entities	By closely related persons *)	Options 2019 A	2019 B	2022
Pertti Ervi, Chairman of the Board	45,358					
Matti Heikkonen, Member of the Board	9,067	40,922				
Antti Koskela, Member of the Board	27,527					
Jukka Tapaninen, Member of the Board	17,556					
Miika Karkulahti, responsible auditor						
Jussi Vasama, CEO	58,380			130,000	135,000	97,908
Insiders by definition						
Eric Allart, EMT member	87,058					48,954
Tero Aspinen, EMT member				30,000	33,000	36,716
Matti Erkheikki, EMT member			2,000	65,000	65,000	48,954
Mervi Kerkelä-Hiltunen, EMT member	5,121					36,716
Pekka Keskiivari, EMT member	2,565			22,000	45,000	36,716
Johanna Lähde, EMT member						36,716
Samuel Rinnetmäki, EMT member	3,000					36,716
Sanna Salo ,EMT member	5,121		7,350			36,716
Insider ownership, TOTAL	260,753	40,922	9,350	247,000	278,000	416,112

* Shares held by spouces and persons under guardianship

OWN SHARES

QPR Software Plc’s 4,010,458 new shares issued in the rights offering 27.5.-10.6.2022 have been registered with the trade register maintained by the Finnish Patent and Registration Office on 17.6.2022.

After the registration of the new shares, the total number of shares in the Company is 16,455,321, which of the Company held 413,487 as own shares with a total nominal value of EUR 45,484 and a total purchase price of EUR 405,726. The shares held by the Company (treasury shares) represent 2.5% of the Company’s share capital and votes.

GOVERNANCE

QPR Software Plc’s (QPR) management practices reflect sound corporate governance and high ethical principles. They comply with the regulatory rules related to the management of public companies, such as the Finnish Companies Act, the Market Abuse Regulation, and the Securities Markets Act. Also, QPR’s Articles of Association, as well as the Finnish Corporate Governance Code (effective as of January 1, 2020) and the Guidelines for Insiders.

A separate report has been issued on QPR Software's corporate governance system for 2022, which was published along with annual report on 16 March 2022.

The company's management principles and an explanation of the corporate governance system can be read in the investor section of the company's website.

The investor pages also contain a report on insider governance, information on the largest owners, the articles of association, the board's rules of procedure, a report on internal control and audit, introductions of the board of directors and the management team, a summary of the company's disclosure policy, and the company's press releases published during the financial year.

ANNUAL GENERAL MEETING

The Company's Board of Directors decided in March 2022 to convene the annual general meeting on Thursday, April 6, 2022. The board decided on the extraordinary meeting procedure based on the temporary legislation approved by the parliament. In order to limit the spread of the Covid-19 pandemic, the annual general meeting was organized without the personal presence of the shareholders at the meeting place. Shareholders had the opportunity to participate in the meeting and exercise their rights only through a proxy and by presenting counterproposals and questions in advance. The minutes of the general meeting have been available since April 20, 2022, on the company's website in the investors section.

QPR Software Plc's Annual General Meeting confirmed the Company's financial statements for 2021 and granted discharge to the Board members and Chief Executive Officer. The General Meeting decided that no dividend will be distributed based on the balance sheet to be confirmed for the fiscal year that ended 31 December 2021. The general meeting confirmed the company’s remuneration report for 2021 and decided to establish a shareholders’ nomination committee for the company and confirmed its rules of procedure, in accordance with the board’s proposals. The general meeting decided to authorize the Board to decide on the issue of shares and the granting of special rights entitling to shares, as well as the acquisition of own shares.

The General meeting decided that the number of board members will be four (4). Pertti Ervi, Matti Heikkonen, Antti Koskela and Jukka Tapaninen were re-elected as Board members. The term of office of the board members lasts until the end of the next Annual General Meeting. At the organizational meeting of the Board, the Board re-elected Pertti Ervin as chairman.

Furthermore, the General Meeting decided that the auditor of QPR Software Plc is the auditing company KPMG Oy Ab, with KHT Miika Karkulahti as the principal auditor. The auditor’s term of office ends at the end of the next Annual General Meeting.

The Annual General Meeting authorized the Board of Directors to decide on the issuance of new shares and the transfer of the Company’s own shares (share issuance) in one or more installments. The share issue can be carried out as a paid or free issue under the terms set by the board.

In addition, the Annual General Meeting decided on the establishment of the shareholders’ nomination committee. According to the situation in October 2022, the company’s three largest shareholders each had the right to nominate one member. If the shareholder does not use his naming right, the right is transferred to the next largest shareholder. Roger Kempe, Erkki Myllärniemi, and Eero Leskinen were elected to the nomination committee of QPR shareholders.

A stock exchange release about all the authorizations and other decisions given to the Board of Directors of QPR Software Plc by the Annual General Meeting has been issued on stock exchange release on April 19, 2022.

The release can be found in the investor section of the Company's website: www.qpr.com/company/investors

MANAGEMENT AND AUDITORS

Jussi Vasama was the CEO of QPR Software Plc in the 2022 fiscal year.

The other members of the management team were:

- Eric Allart, the company's director responsible for global sales (from June 1, 2022)
- Director responsible for Middle East business and performance management solutions, Tero Aspinen
- Matti Erkheikki, director responsible for strategy, partners and alliances
- Director responsible for technology and products, Pekka Keskiivari
- Director responsible for consulting business, Samuel Rinnetmäki (from 7 February 2022)
- Director responsible for marketing, communication, and brand, Sanna Salo (from 7 February 2022)
- The company's CFO was Päivi Vahvelainen until 4 August 2022, and after that Mervi Kerkelä-Hiltunen
- Director responsible for Personnel and Corporate Culture, Johanna Lähde (from 1 August 2022)

During the accounting period, the auditing firm KPMG Oy Ab acted as the actual auditor of QPR Software Plc, and the principal auditor was Miika Karkulahti, KHT.

Shared held by the Board and CEO

QPR Software Oyj's board members and CEO and their close associates owned 311,025 QPR Software Oyj shares on December 31, 2022, which corresponds to 1.9% of the company's shares and voting power (31.12.2021: 0).

The number of shares include their own, spouse's, guardians' and controlling entities' holdings.

Authorization of the Board of Directors

QPR Software Plc's annual general meeting held on April 6, 2022 authorized the issuance of new shares by the board of QPR Software Plc and the transfer of company shares held by the company (share issue) in one or more installments.

The share issue can be carried out as a paid or free issue under the terms set by the board. The authorization also includes the right to grant special rights referred to in Chapter 10, Section 1 of the Limited Liability Companies Act, which entitle to receive own shares held by the company against payment. Based on the authorization, a maximum of 4,500,000 new shares can be issued in a share issue and/or with special rights, and a maximum of 700,000 of the Company's own shares can be transferred. The authorization includes the right to deviate from the shareholders' pre-emptive right. The authorization is valid until the next annual general meeting.

The terms of all authorizations given to the board of directors of QPR Software Plc by the Annual General Meeting can be read in full in the stock exchange release published by the company on April 19, 2022.

The release can be found in the investor section of the Company's website.

INTERNAL CONTROL

The Group's internal control and risk management aim to ensure that the Group operates efficiently and effectively, distributes reliable information complies with regulations and operational principles, reaches its strategic goals, reacts to changes in the market and operational environment, and ensures continuity of its business.

It is the duty of the Board of Directors to monitor the appropriateness, effectiveness and efficiency of risk management and internal control within the Group.

The Board assesses the risks based on the threat they pose to shareholders. The Board also oversees that the Company has defined operating principles for internal control and that the Company monitors the effectiveness of controls.

RISK MANAGEMENT

The Group's CFO is responsible for coordinating and reporting on the Group's internal controls and risk management. The Group's risk management is driven by the requirements arising from legislation, shareholder expectations regarding business objectives, as well as the expectations from customers, personnel, and other important stakeholders.

QPR's risk management aims to systematically and comprehensively identify the risks related to its operations and to ensure that risks are managed and considered in decision making. Risk management responsibilities are integrated throughout the organization.

Risk management is developed by continuously improving the Company's operational processes. The principle of materiality is used as the basis for identifying risks: the realization of monitored risks must have a material effect on the Company's business operations.

QPR Software has identified the following three groups of risks related to its operations: risks related to business operations, risks related to information and products, and risks related to financing. Property, operational, and liability risks are covered by way of insurance.

QPR Software Plc's Management System was awarded the ISO 9001:2015 quality certificate covering all of the Company's activities, which are audited annually by an external evaluator.

RISKS RELATED TO BUSINESS OPERATIONS

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

Country risk

Risk is measured by assessing the potential loss of country-specific revenue. Risk is managed by continuously gathering market information and diversifying business across geographical markets and industries as well as considering movements in geopolitical environment.

Customer risk

Risk is measured in terms of software maintenance customer churn and the share of overdue accounts receivable in total receivables (%). Risk is managed by taking good care of every customer and reseller, as well as by actively following up on accounts receivable.

Personnel risk

Risk is measured in terms of personnel churn. Risk is managed through skilled recruitment, professional management practices, and by providing opportunities for job rotation as well as learning and growth.

Legal and other risks

Risk is measured by comparing the cumulative euro-value of all open legal disputes with annual net sales (%). Risk is managed with good knowledge of contract law and standard terms, and by conducting business activities that are both ethical and in line with Company values.

QPR's country and customer risks are mitigated by conducting business in more than 50 countries, in both public and private sectors, as well as in several different industries.

Reasonable credit risk concerning individual business partners is characteristic to any international business. QPR seeks to limit this risk by continuously monitoring standard payment terms, receivables, and credit limits. The value of trade receivables over 60 days past due was 3% (17) of total trade receivables at the end of the period.

RISKS RELATED TO INFORMATION AND PRODUCTS

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

Risk related to products

Risk is managed by ensuring that the Company's offering remains competitive by differentiating from competitors through the strengths of its content and products. The Company seeks to ensure the security of its products by using automatic malware prevention.

Intellectual Property Rights

The Company's Intellectual Property Rights (IPR) are protected by the confidentiality of the source code, its secure storage, and selected patent applications.

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

In addition, the Company uses contract management and internal training to ensure that third-party IPRs are not used in QPR products without permission. The Company has legal expense insurance.

Information and security risks

QPR Software regularly monitors and mitigates information security risks in its operations and reports to the Board of Directors. The Company uses both governance practices as well as technology to improve the security of their systems. To mitigate information security risks, the Company has adopted data and vendor governance models, conducted annual audits of our partners, and organized relevant in-house training to improve security awareness. There have not been any significant changes in QPR's information and product related risks in 2021.

In August 2022, QPR Software was awarded the ISO 27001 Information Security Certification for the design, marketing, and delivery of software services and solutions.

The international ISO 27001 standard contains requirements for establishing, implementing, maintaining, and continually improving an information security management system. The information security management system preserves the confidentiality, integrity, and availability of information by applying a risk management process and gives confidence to interested parties that risks are adequately managed. QPR Software's ISO 27001 certificate was issued after the completion of a formal audit performed by Bureau Veritas, an independent and accredited certification body active in 140 countries with more than 78,000 employees.

RISKS RELATED TO FINANCING

QPR Software has identified the following two financing risks:

Currencies

Foreign currency risk is measured by calculating the share of all non-euro receivables in total receivables, or the share of an individual non-euro currency in total receivables (%). The risk is managed by using the euro as the primary invoicing currency and by currency hedging in accordance with the Company's hedging policy. The company constantly monitors how the open positions of the biggest invoicing currencies develop. At the end of the financial year, the Company had not hedged its foreign currency (non-euro) trade receivables. Approximately 82% of the Group's trade receivables were in euro at the end of the financial year (75).

Short-term cash flow

The risk is measured based on the forecasted cash flow. The risk is managed by actively

monitoring the forecast and effectively collecting overdue receivables. The risks related to the Company's financial position are mitigated by recurring revenue representing a relatively large share of net sales. The Group's financial position is fair due to performance of the period. This financial statement has been prepared according to Going Concern -principle considering efficiency improvement measures, operating forecast as well as the re-financing agreement the company made in January 2023. The management of financial risks in 2022 is described in more detail in Note 30.

LEGAL DISPUTES

In 2021 and 2022, the Company did not have any legal disputes.

OUTLOOK FOR 2023

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

Supported by the existing contract base and forecasted growth in SaaS (Software as a Service) revenue, QPR expects the SaaS revenue growth to be above 35% and estimates its net sales to increase (2022: 7,823 thousand euros) in 2023.

The company expects notable EBITDA improvement leading to a level of break even in the 2023 financial year. EBITDA was -1,753 thousand euros in 2022.

THE BOARD OF DIRECTORS' PROPOSAL ON DIVIDEND

At the end of the financial year 2022, the distributable funds of the parent company were EUR 311,418. The Board of Directors will propose at the Annual General Meeting that no dividend is to be paid for the financial year 2022.

There have not been any material changes in the Company's financial position after the end of the financial year.

EVENTS AFTER THE REPORTING PERIOD

New financing agreement

QPR Software entered into a new financing agreement of 1.5 million euros with its main financing bank on 24 January 2023. This financing agreement replaces and refinances the company's current loan and prepares for future growth-supporting working capital needs. The new loan has a three-year loan term and matures on January 31, 2026.

In accordance with the financing agreement, the first installment of EUR 0.5 million is due on January 31, 2024. After this, installments of EUR 0.5 million are due every year in January. The company will withdraw the loan in April 2023 and convert it into the current and long-term interest-bearing loan.

The covenants of 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 annually according to the status on the last day of the year.

New CEO to start in the position on March 1, 2023

On 20 December 2022, QPR Software Plc’s CEO Jussi Vasama announced his resignation in order to assume a new position outside of QPR.

QPR Software Plc’s Board of Directors appointed Heikki Veijola (born 1970) as the company's new CEO on 2 January 2023. Veijola will start in the position on March 1, 2023.

Veijola has a master's degree in Economics (M.Sc., Turku School of Economics and Business Administration) majoring in International Marketing.

Veijola has most recently served as Enreach Oy’s Director of Strategic Partnerships and member of the executive management team, being responsible for business operations in the Microsoft and Salesforce -ecosystems as well as for cooperation with system integrators, consultants, and other strategic partnerships, especially in Northern Europe. Before this, Veijola was the Sales Director of Enreach Oy.

Financial Statements

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT, IFRS

(EUR 1,000)	Note	**2022**	2021
Net sales	3	**7,823**	**9,140**
Other operating income	4	4	0
Materials and services	6	1,552	1,106
Employee benefit expenses	7	7,214	6,824
Depreciation and amortization	9	1,017	1,489
Other operating expenses	10	814	968
Total expenses		10,597	10,388
Operating Result		**-2,770**	**-1,248**
Financial income	11	4	3
Financial expenses	11	-66	-111
Financial items, net		-62	-108
Provisions	25	-33	-
Result before tax		**-2,864**	**-1,356**
Income taxes	12	-3	0
Result for the financial year		**-2,868**	**-1,356**
Other items in comprehensive income that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		-2	0
Other items in comprehensive income, net of tax		**-2**	**0**
Total comprehensive income for the financial year		**-2,870**	**-1,356**
Earnings per share, EUR			
Undiluted, EUR	13	-0.202	-0.113
Diluted, EUR	13	-0.202	-0.113

CONSOLIDATED BALANCE SHEET, IFRS (1/2)

(EUR 1,000)	Note	**2022**	2021
ASSETS			
Non-current assets			
Capitalized product development expenses	14	2,380	1,704
Other intangible assets	14	31	8
Goodwill	15	358	358
Tangible assets	16	171	171
Other investments	17	5	5
Right-of-use assets	16	756	148
Deferred tax assets	19	273	273
Total non-current assets		**3,973**	**2,666**
Current assets			
Trade and other receivables	20	3,452	2,694
Cash and cash equivalents	21	17	441
Total current assets		**3,469**	**3,135**
Total assets		**7,442**	**5,800**

CONSOLIDATED BALANCE SHEET, IFRS (2/2)

(EUR 1,000)	Note	**2022**	2021
EQUITY AND LIABILITIES			
Equity			
Share capital	23	1,359	1,359
Other funds		21	21
Treasury shares		-406	-439
Translation difference		-66	-68
Invested non-restricted equity fund	23	2,943	5
Retained earnings		-3,364	-448
Equity attributable to shareholders of the parent company		**487**	**430**
Non-current liabilities			
Interest-bearing lease liabilities		609	-
Deferred tax liabilities	19	0	0
Total non-current liabilities		**609**	**0**
Current liabilities			
Interest-bearing lease liabilities		149	182
Provisions	25	33	-
Trade and other payables	25	4,644	3,689
Interest-bearing liabilities	24	1,521	1,500
Total current liabilities		**6,346**	**5,370**
Total liabilities		**6,955**	**5,370**
Total equity and liabilities		**7,442**	**5,800**

CONSOLIDATED CASH FLOW STATEMENT, IFRS

(EUR 1,000)	Note	**2022**	2021
Cash flow from operating activities			
Result for the period		-2,868	-1,356
Adjustments for the result			
Depreciation		1,017	1,489
Other adjustments	27	-143	29
Changes in working capital:			
Increase (-)/decrease (+) in short-term non-interest bearing receivables		-680	390
Increase (+)/decrease (-) in short-term non-interest bearing liabilities*		988	323
Interest expense and other financial expenses paid		-58	-164
Interest income and other financial income received		0	3
Taxes paid		-21	-22
Net cash flow from operating activities		**-1,765**	**692**
Cash flow from investing activities			
Acquisition of tangible assets		-111	-83
Capitalized development expenses		-1,209	-856
Acquisition of other intangible assets		-35	-3
Net cash flow from in investing activities		**-1,355**	**-942**
Cash flow from financing activities			
Proceeds from borrowings	24	1,521	1,500
Repayments of borrowings	24	-1,500	-700
Payment of lease liabilities		-266	-291
Share issue, net	23	2,937	-
Net cash used in financing activities		**2,693**	**509**
Change in cash and cash equivalents		**-427**	**258**
Cash and cash equivalents at the beginning of year		**441**	**185**
Effect of exchange rate differences		3	-2
Cash and cash equivalents at the end of year	21	**17**	**441**

**Includes non-interest bearing liabilities related to Investments EUR 127 thousand*

PARENT COMPANY INCOME STATEMENT, FAS

(EUR)	Note	**2022**	2021
Net sales	3	**7,234,554**	**8,705,482**
Other operating income	4	693,716	607,195
Material and services	6	2,511,492	2,743,535
Personnel expenses	7	5,306,728	4,933,338
Depreciation and amortization	9	185,842	156,563
Other operating expenses	10	2,299,231	1,915,889
Total expenses		10,303,292	9,749,326
Operating result		**-2,375,022**	**-436,649**
Financial income and expenses	11	-600,190	-146,387
Result before appropriations and taxes		**-2,975,212**	**-583,036**
Appropriations	25	-32,628	-
Result before taxes		**-3,007,840**	**-583,036**
Income taxes	12	0	0
Result for the financial year		**-3,007,840**	**-583,036**

PARENT COMPANY BALANCE SHEET, FAS

(EUR)	Note	**2022**	2021
ASSETS			
Non-current assets			
Intangible assets	14	150,426	190,526
Tangible assets	16	170,866	171,030
Investments in group companies	17	3,581,261	3,581,263
Other investments	17	4,562	4,562
Total non-current assets		**3,907,115**	**3,947,381**
Current assets			
Non-current receivables	18,19	225,000	225,000
Current receivables	20	5,111,014	2,700,517
Cash and cash equivalents	21	938	384,421
Total current assets		**5,336,952**	**3,309,938**
Total assets		**9,244,067**	**7,257,319**
EQUITY AND LIABILITIES			
Equity			
Share capital	23	1,359,090	1,359,090
Invested unrestricted equity fund	23	3,454,341	5,347
Retained earnings		270,643	839,261
Treasury shares		-405,726	-439,307
Result for the financial year		-3,007,840	-583,036
Total equity		**1,670,507**	**1,181,355**
Provisions		**32,628**	-
Liabilities			
Current liabilities	24,25	7,540,932	6,075,964
Total liabilities		**7,540,932**	**6,075,964**
Total equity and liabilities		**9,244,067**	**7,257,319**

PARENT COMPANY CASH FLOW STATEMENT, FAS

(EUR)	**2022**	2021
Cash flow from operations		
Operating result	-2,375,022	-436,649
Adjustment for the period:		
Depreciation and amortization	185,842	156,563
Non-cash transactions	35,199	-
Financial items, net	-42,031	-146,387
Cash flows before change in working capital	-2,196,012	-426,473
Change in working capital		
Increase (-) / decrease (+) in current receivables	-875,913	445,577
Increase (-) / decrease (+) in current liabilities*	1,061,813	408,589
Change in net working capital	185,900	854,166
Net cash from operating activities	**-2,010,112**	**427,693**
Cash flows from investing activities		
Investments in intangible assets	-34,534	-
Purchases of tangible assets	-111,043	-83,454
Investments in subsidiary loans granted	-1,185,942	-825,530
Net cash used in investing activities	**-1,331,519**	**-908,983**
Cash flows from financing activities		
Proceeds from current loans and borrowings	1,520,756	1,500,000
Repayments of short-term borrowings	-1,500,000	-700,000
Proceeds from share issuance	2,937,392	-
Cash flows from financing activities	**2,958,148**	**800,000**
Change in cash and cash equivalents	**-383,483**	**318,710**
Cash and cash equivalents at the beginning of the year	**384,421**	**65,639**
Cash and cash equivalents at the end of the year	**938**	**384,421**

STATEMENTS OF CHANGES IN EQUITY

Consolidated statement of changes in equity, IFRS

(EUR 1,000)	Share capital	Other funds	Translation differences	Treasury shares	Invested unrestricted equity fund	Retained earnings	Equity attributable to shareholders of the parent company
Equity Dec 31, 2020	**1,359**	**21**	**-69**	**-439**	**5**	**881**	**1,758**
Dividends paid						0	0
Stock option scheme						26	26
Comprehensive income			0			-1,356	-1,356
Equity Dec 31, 2021	**1,359**	**21**	**-68**	**-439**	**5**	**-448**	**430**
Disposal of own shares				34			34
Stock option scheme						-47	-47
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**

Parent company statement of changes in shareholders' equity, FAS

(EUR)	Restricted equity: Number of shares	Restricted equity: Share capital	Unrestricted equity: Treasury shares	Unrestricted equity: Invested unrestricted equity fund	Unrestricted equity: Retained earnings	Unrestricted equity: Total unrestricted equity	Total equity
Equity Jan 1, 2021	12,444,863	1,359,090	-439,307	5,347	1,006,005	572,046	1,931,136
Dividends paid					71	71	71
Deferred taxes for previous financial years*					-166,817	-166,817	-166,817
Result for the year					-583,036	-583,036	-583,036
Equity Jan 1, 2022	12,444,863	1,359,090	-439,307	5,347	256,223	-177,735	1,181,355
Right issue				3,448,994		3,448,994	3,448,994
Treasury share price difference					14,418	14,418	14,418
Disposal of own shares			33,581			33,581	33,581
Result for the year					-3,007,840	-3,007,840	-3,007,840
Equity Dec 31, 2022	16,455,321	1,359,090	-405,726	3,454,341	-2,737,199	311,418	1,670,508

*deffered tax, change of the accounting principle.

Notes to Financial Statements

COMPANY INFORMATION

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

A copy of the Consolidated Financial Statements is available on the Internet at www.qpr.com or at QPR Software Plc, Huopalahdentie 24, Helsinki, Finland.

QPR Software Plc's Board of Directors have approved the financial statements for publication on February 9, 2023. Shareholders have the right to approve or reject financial statements in the Annual General Meeting or decide to revise them.

1. ACCOUNTING PRINCIPLES FOR CONSOLIDATED FINANCIAL STATEMENT

Basis of preparation

QPR Software Plc's Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and take into account the IAS and IFRS standards, as well as SIC and IFRIC interpretations, in force on December 31, 2022. In the Finnish accounting legislation, International Financial Reporting Standards refer to standards and interpretations accepted to be followed in the European Union in accordance with Regulation (EC) No 1606/2002.

The financial statements have been prepared using the historical cost convention, unless otherwise disclosed in the accounting principles below. The Consolidated Financial Statements are presented in Euro, which is the functional currency of the parent company. Financial statements are presented in thousands of Euros. All presented figures are rounded, which means that the sum of individual amounts may differ from the total presented. Key figures have been calculated using exact amounts.

New and amended standards and interpretations adopted in 2022

From the beginning of 2022, the Group has applied the following new and revised standards and interpretations.

Onerous Contracts – *Costs of Contingent Liabilities and Contingent Assets Fulfilling a Contract -* Amendments to IAS 37 Provisions, (effective for financial years beginning on or after January 1, 2022)

The amendment specifies the recognition of direct additional costs related to provisions for loss-making contracts and other expenses allocated to them as part of the provision.

Annual Improvements to IFRS Standards 2018–2020 cycle* (effective for financial years beginning on or after January 1, 2022)

The objective of the Annual Improvements process is to collect smaller non-urgent improvements to the standards into a single collection implemented once a year. The improvements have clarified the following standards:

- IFRS 9 Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Financial Liabilities: The amendment clarifies that – for the purpose of performing the '10 per cent test' for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

- IFRS 16 Leases, example 13: The amendment removes from example the Lessor's reimbursement for payments related to leasehold improvements, as the example was unclear as to whether the reimbursement would meet the definition of a lease incentive.

Property, Plant and Equipment — Proceeds before Intended Use – Amendments to IAS 16 *Tangible Assets* (effective for financial years beginning on or after January 1, 2022)

According to the changes, revenue from the sale of products arising from the use of an unfinished tangible asset and related manufacturing costs should be recognized in profit or loss.

Reference to the Conceptual Framework – Amendments to IFRS 3 *Business Combinations* (effective for financial years beginning on or after January 1, 2022)

The amendment updates the reference in IFRS 3 and contains a reference to the clarifications provided in the amendments.

Consolidation principles

The Consolidated Financial Statements include the parent company, QPR Software Plc, and the subsidiaries it controls. Regarding subsidiaries, parent company control is based on full ownership of the share capital or a majority holding. The Company did not own shares in joint ventures or associated companies in 2022 and 2021.

Subsidiaries acquired during the financial period are consolidated from the date on which control is obtained, and divestments are included until the date on which control ceases. Intragroup shareholdings are eliminated using the acquisition cost method. Intercompany business transactions, receivables, liabilities, unrealized profits, as well as intragroup profit distribution, are eliminated in the Consolidated Financial Statements. The profit for the financial year applicable to non-controlling interests is presented separately in the consolidated comprehensive income statement, and the share of the non-controlling interest in shareholders' equity is presented separately in the consolidated balance sheet. The Group's subsidiaries did not have any non-controlling interests in 2022 and 2021.

Continuity of operations

The Consolidated Financial Statements have been prepared in accordance with the principle of continuity. The company concluded a long-term refinancing agreement at the beginning of 2023. Additional information in the note 30.

Foreign currency translation

The functional currency of foreign subsidiaries is the local bookkeeping currency.

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

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

Revenue recognition

Net sales include the normal sales income from the Group's business operations, deducted by sales-related taxes and granted discounts. When calculating net sales, they are adjusted to account for exchange rate differences.

Revenue is recognized when (or as) the control of goods or services are transferred to a customer either over time or at a point in time.

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

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

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

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

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

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

Revenues from consulting services are recognized as services are rendered, when (or as) control of the services has been transferred to the customer.

The Group uses payment terms typical for each market, including domestic terms, which are typically shorter than international terms.

Other operating income

Other operating income includes income that is not related to the parent company's core business. Public subsidies are recorded in other operating income, except when they are related to investments, in which case they are deducted from the acquisition cost of the asset.

Research and development expenditure

Research costs are expensed as incurred. Expenses related to the introduction of new technology, or the development of a new product are capitalized and amortized over the useful life of 4 years. When determining the duration of useful economic life, the technology's eventual obsolescence and the product's typical life cycle are considered. Amortization begins when the product becomes commercially viable. Maintenance costs and minor improvements to existing products are expensed. Grants received for product development are recognized in the income statement for the periods in which the corresponding expenses are incurred.

Pension plans

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

Share-based payments

The Group has adopted an option plan for key persons as of beginning of the year 2019 and expanded it with a new plan in 2022. In the Group incentive plan payments are made in the form of equity instruments. The benefits granted under the plans are recognized at fair value on the date on which they were granted and entered as costs evenly throughout the period during which they were earned. The effect of the plans on profit or loss is presented under the costs of employee benefits.

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

Operating profit

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

Impairment

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

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

Income taxes

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

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

A deferred tax asset is recognized in the amount that it is probable, in accordance with IAS 12, that future taxable income will be generated against which the temporary difference can be utilized. Deferred tax liabilities are recognized in the balance sheet in full.

Intangible assets

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

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

Tangible assets

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

The Group didn't capitalize any borrowing costs in 2022 and 2021.

Useful lifetimes of tangible assets:

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

Lease agreements

The Group has adopted the IFRS 16 standard on leases. According to the standard, a contract is or contains a lease if the Group has a right to control the use of an identified asset for a certain period of time in exchange for consideration. When determining the non-cancellable period, the Group assesses the probability of exercising extension and termination options by considering all relevant facts and circumstances.

Lease payments are divided into liabilities and financial expenses. Financial expenses are recognized in the income statement for the lease period. The right-of-use asset is depreciated using the straight-line method over the asset's useful life or lease term, if shorter than useful life. Lease liabilities are discounted at the average loan interest rate of the year.

When future lease payments are revised due to changes in an index rate or the terms of the lease, the right-of-use asset and the corresponding lease liability is revalued to reflect these changes.

The Group has applied for the exemption of not recognizing short-term leases and leases of low-value assets in the balance sheet and continues to treat them as operating leases.

The Group mainly leases offices for business use. Leases are typically either fixed-term agreements, which may be renewable, or indefinite term. For leases for less than 12 months and for low-value assets, the Group continues to treat them as operating leases.

Financial assets and liabilities

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

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

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

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

Derivative contracts

Derivative contracts are initially recognized at fair value on the date on which the Group becomes party to the contract and are subsequently measured at fair value. The Group has no derivative contracts in 2022 and 2021.

Cash and cash equivalents

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

Treasury shares

The repurchase of our own shares as well as the related direct costs are recorded as deductions in equity.

Provisions

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

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

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

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

The preparation of financial statements according to IFRS requires management to make estimates and assumptions that affect the reported assets and liabilities on the balance sheet, as well as the financial year's income and expenses. In addition, professional judgment is required in applying accounting principles. Since the estimates and assumptions are based on the business outlook at the close of the financial year, they include risks and uncertainties. Estimates and assumptions may not be realized.

In the assessments that require the discretion of the management, the management has taken into account in the valuation the factors causing general uncertainties such as the war in Europe, inflation and the general uncertainties affecting economic development.

Learn more about the key areas that required management consideration:

- Share-based payments and option schemes (Note 8)
- Product development expenditure (Note 14)
- Goodwill (Note 15)
- Deferred tax (Note 19)
- Trade receivables (Note 20)
- Leases (Note 29)
- Financial risk management (Note 31)

Adoption of new or revised IFRS standards

The Group has not yet adopted the following already published new or amended standards and interpretations. The Group will adopt them immediately after the standard or interpretation is effective or, when applicable, at the beginning of the next financial year. (*= On December 31, 2022, the standard in question was not yet approved for adoption in EU)

Management is currently assessing the impact of the following new or revised standards and interpretations on the Consolidated Financial Statements.

Classification of Liabilities as Current or Non-current – Amendments to IAS 1 *Presentation of Financial Statements* * (effective for financial years beginning on or after January 1, 2023, early adoption is permitted)

Amendments aim to harmonize the way IAS 1 is applied in practice and to clarify the classification of liabilities as current or non-current.

Disclosure of Accounting Policies – Amendments to IAS 1 *Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements* * (effective for financial years beginning on or after January 1, 2023, early adoption is permitted)

The amendments clarify the application of materiality in deciding which accounting policies to disclose.

Definition of Accounting Estimates – Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* * (effective for financial years beginning on or after January 1, 2023, early adoption is permitted)

Amendments clarify how entities should distinguish changes between accounting principles and accounting estimates and focus on developing and clarifying accounting estimates.

Deferred Tax related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 *Income Taxes* * (effective for financial years beginning on or after January 1, 2023)

Amendments narrowed the scope of the recognition exemption and clarify that it no longer applies to transactions, such as leases for the lessee and decommissioning obligations, that give rise to equal taxable and deductible temporary differences.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 *Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures* * (voluntary adoption is allowed, entry into force postponed for the time being)

Amendments eliminate the conflict between current guidance on consolidation and equity method accounting and require that a full gain should be recognized when transferred assets constitute a business as defined in IFRS 3 Business Combinations.

Other new and revised standards and interpretations are not expected to influence the Consolidated Financial Statements when they become effective.

ACCOUNTING PRINCIPLES OF PARENT COMPANY FINANCIAL STATEMENTS

Financial statements of the parent company, QPR Software Plc, have been prepared in accordance with Finnish Accounting Standards (FAS), which differ in certain respects from the international standards (IFRS) used in the Consolidated Financial Statements.

Financial statements have been prepared using historical cost convention, unless otherwise disclosed in the accounting principles below. The parent company financial statements are presented in Euro. All figures are rounded, which means that the sum of individual amounts may differ from the total presented. Key figures have been calculated using exact amounts.

Foreign currency translation

Transactions denominated in foreign currency are translated using the exchange rate on the transaction date. At the end of the reporting period, financial assets and liabilities denominated in foreign currency are valued at balance sheet date. Exchange rate differences arising from foreign currency business transactions are recorded in their corresponding income statement accounts above operating profit; and the net exchange rate differences arising from financial items are recorded in financial income or expenses.

Revenue recognition

The parent company applies the same principles of revenue recognition as the Group. The Group's principles of revenue recognition are introduced in Note 1, page 42.

Other operating income

Other operating income includes income that is not related to the parent company's core business. Public subsidies are included in other operating income, except when they are related to investments, in which case they are deducted from the acquisition cost of the asset.

Pension plans

The employees' statutory pension plan is managed by a pension insurance company. Statutory pension contributions are stated in the income statement as an expense in the year of their accrual.

Research and development expenditure

Research costs are expensed as incurred. Expenses related to the introduction of new technology, or the development of a new product are capitalized and amortized over the useful life of 4 years. When determining the duration of useful economic life, the technology's eventual obsolescence and the product's typical life cycle are considered. Amortization begins when the product becomes commercially viable. Maintenance costs and minor improvements to existing products are expensed. Grants received for product development are recognized in the income statement for the periods in which the corresponding expenses are incurred.

Intangible assets

Intangible assets are reported at original acquisition cost minus accumulated amortization and impartment losses, if any. Public subsidies used to acquire an intangible asset are deducted from the asset's acquisition cost and reduce asset amortization in the income statement. The expected useful lifetime of an intangible asset ranges from 2 – 5 years.

Tangible assets

Tangible assets are stated in the balance sheet at original acquisition cost minus accumulated depreciation and impartment losses. The economic life of a tangible asset ranges from 2 – 7 years.

Investments

The shares the parent company holds in subsidiaries and other entities are valued at original acquisition cost or at fair value, if lower.

Provisions

A provision is recognized when the parent company has a legal or constructive obligation as a result of an action, an outflow of resources required to settle the obligation is probable, and a reliable estimate of the amount can be made.

Leasing

Lease payments are treated as expenses during the rental period.

2. SEGMENT INFORMATION

QPR Software reports on one operating segment: Operational development of organizations. In addition to this, the Company reports net sales from products and services as follows: Software license sales, Renewable software license sales, Software maintenance services, Cloud services, and Consulting. Recurring revenue reported by the Group consists of software maintenance services and cloud services as well as of renewable software licenses. They are based on long-term, indefinite, or multiyear contracts, and are generally invoiced annually in advance.

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

Group (EUR 1,000)	**2022**	2021
Net sales by operating segment		
Operational development of organizations	7,823	9,140
Total net sales	**7,823**	**9,140**

3. NET SALES

Net Sales by Product Group

The Group's net sales derive from software and consulting businesses are broken down as follows:

	Group, IFRS (EUR 1,000)		**Parent company, FAS** (EUR 1,000)	
	2022	2021	**2022**	2021
Software licenses	560	1,317	512	1,233
Renewable software licenses	583	797	343	461
Software maintenance services	1,803	2,034	1,562	1,790
Cloud services	1,738	1,283	1,679	1,511
Consulting services	3,139	3,710	3,139	3,709
Total net sales	**7,823**	**9,140**	**7,235**	**8,705**

Net Sales by Geographic Area

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 customer's location. The company has closed its business and partnerships in Russia for the time being.

	Group, IFRS (EUR 1,000)		Parent company, FAS (EUR 1,000)	
	2022	2021	**2022**	2021
Finland	4,126	4,614	4,126	4,620
Europe incl. Russia and Turkey	2,745	2,689	2,241	2,352
Rest of the world	953	1,837	868	1,733
Total net sales	**7,823**	**9,140**	**7,235**	**8,705**

Balance sheet items based on customer agreements are presented in Note 22.

4. OTHER OPERATING INCOME

	Group, IFRS (EUR 1,000)		Parent company, FAS (EUR 1,000)	
	2022	2021	**2022**	2021
Other items	4	-	694	607
Total	**4**	**-**	**694**	**607**

The other items included intra-group service charges from the parent company.

5. ACQUIRED BUSINESS OPERATIONS

The branch in France was established under QPR Software Plc in 2022.

6. MATERIALS AND SERVICES

	Group, IFRS (EUR 1,000)		Parent company, FAS (EUR 1,000)	
	2022	2021	**2022**	2021
Materials and services	1,552	1,106	2,511	2,744

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

Materials and services of the parent company include intra-group license fees in addition to the above-mentioned expenses.

7. EMPLOYEES AND RELATED PARTIES

	Group, IFRS (EUR 1,000)		Parent company, FAS (EUR 1,000)	
	2022	2021	**2022**	2021
Wages and salaries	5,995	5,691	4,414	4,108
Pension expenses - defined contribution plans	1,008	947	729	688
Other personnel expenses	211	185	164	138
Total	**7,214**	**6,824**	**5,307**	**4,933**
Average number of employees during the year	81	80	56	54

Related parties

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

The Group does not have any loans, commitments or guarantees granted to or received from related parties. The Group has not had business transactions with related parties in 2022 and 2021.

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

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

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

	Group, IFRS (EUR 1,000)		**Parent company, FAS** (EUR 1,000)	
	2022	2021	**2022**	2021
Salaries and other short-term benefits:				
Members of the Board of Directors	113	89	113	89
Chief Executive Officer Jari Jaakkola	0	159	0	159
Chief Executive Officer Jussi Vasama	219	76	219	76
Executive Management Team	969	600	969	600
Total	**1,301**	**923**	**1,301**	**923**

	Parent company, FAS (EUR 1,000)	
	2022	2021
Board fees by member:		
Ervi Pertti, Chairman of the Board	43	28
Heikkonen Matti	23	14
Koskela Antti	23	14
Tapaninen Jukka	23	14
Leskinen Vesa-Pekka, Chairman of the Board, until March 25, 2021	0	6
Piela Topi, until March 25, 2021	0	4
Rajala Jarmo, until March 25, 2021	0	4
Vainio Salla, until March 25, 2021	0	4
Total	**113**	**89**

QPR Software Plc's Annual General meeting held on April 6th, 2022, resolved that EUR 45,000 annual fee (2021: 37,080) shall be paid for the Chairman of the Board of Directors and EUR 25,000 (2021: 18,540) annual fee shall be paid for the other members of the Board of Directors. Approximately 40% of the remuneration to the members of the Board of Directors will be paid in the company's shares and 60% in cash, and the shares will be granted as soon as it is possible after the next Annual General Meeting when insider rules allow it. No separate meeting fees are paid.

The Company does not have any exceptional pension arrangements for the CEO. Pension expenses accrued, based on the CEO's salary and bonuses and the Finnish pension legislation, amounted to EUR 38 thousand in 2022 (2021: EUR 38 thousand).

The period of notice for the CEO is four (4) months. Compensation on termination is equivalent to six (6) month's salary. Other members of the Group's Executive Management Team do not enjoy special benefits related to termination of their contract.

In 2022, the maximum annual bonus of Executive Management Team, including the CEO, was 50% of the annual base salary. The bonus scheme for members of the Executive Management Team was based on a set of KPI's including development of the Group net sales, new sales and development of non-financial KPI's. For the financial year 2022 about EUR 12 thousand (2021: EUR 53 thousand) will be paid to the executive management team, including the CEO.

8. SHARE BASED PAYMENTS

Option scheme

QPR Software is operating with 2019A, 2019B and 2022 option plans intending to use these as part of the Group's incentive and commitment program for the key employees. The purpose of the stock options is to encourage the key employees to work on a long-term basis to increase the shareholder value and retain the key employees at the company. The stock options are issued gratuitously.

The option plan 2019 A and B provides for the issuance of up to 910,000 options and option plan 2022 maximum 489,542 options. Each option entitles its holder to subscribe for one share. The option plan participants can execute their reward during a one or two-year subscription period following each vesting period through either subscribing for shares or selling options. The option plan participants generally lose the right to their reward if their employment terminates during the vesting period.

Out of the 2019 stock option plan, 437,000 options are marked with the symbol 2019A and 473,000 options are marked with the symbol 2019B. The subscription period for stock options marked 2019 A is January 1,2022-January 31, 2023 and for stock options marked 2019B January 1,2023-January 31,2024

The allocated number of shares, subscribed by exercising 2019 stock options issued corresponds to a maximum total of 3.8 per cent of all shares and votes of the shares in the company after the potential share subscriptions, if new shares are issued in the share subscription. After the share subscriptions with allocated stock options, the number of the company's shares may be increased by a maximum total of 638,000 shares, if new shares are issued in the share subscription.

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

The initial theoretical market value for Stock Option plan 2019 related to one stock option 2019A is approximately EUR 0.31 per stock option and of one stock option 2019B, approximately EUR 0.11 per stock option. The theoretical market value of stock options 2019 is approximately EUR 187,500 in total. The theoretical market value of one stock option has been calculated using the Black & Scholes stock option pricing model by considering the share subscription price of a stock option and with the following input factors: share price EUR 1.70, risk free interest rate 0 per cent, times to maturities of stock options approximately 4 years and approximately 5 years and volatility approximately 22 per cent. On December 31, 2022, out of stock option plan 2019 A, no subscription has been made.

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

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

The stock option plan 2022 are marked with the symbol 2022. The Share subscription period with the Stock Options shall be 15 June 2025 - 31 May 2027.

The number of shares for the stock option plan 2022, subscribed by exercising stock options corresponds to a maximum of 2.9% of the Company's shares and votes after possible share subscriptions, if new shares are issued in the share subscription. As a result of the share subscriptions with stock options, the number of the Company's shares may increase by a maximum of 489,542 shares, if new shares are issued in the share subscription.

The share subscription price for stock options 2022 is EUR 0.85 per share, which was corresponding to the market price of the company's share at the time of issuance. The share subscription price will be credited to the reserve for the company's invested unrestricted equity. The share subscription price will be deducted by the amount of dividends and distribution of assets paid.

The theoretical market value of one stock option 2022 is approximately EUR 0.22 per stock option. The theoretical market value of stock options 2022 is approximately EUR 87,700 in total. The theoretical market value of one stock option has been calculated using the Black & Scholes stock option pricing model by taking into account the share subscription price of a stock option and with the following input factors: share price EUR 0.85, risk free interest rate 0.88 per cent, times to maturities of stock options approximately 4.8 years volatility approximately 27 per cent.

The Board of Directors resolved on the 2022 stock option plans by virtue of an authorization granted by the company's Annual General Meeting of Shareholders held on 6 April 2022. The target group of the stock option plan includes in total less than 10 key employees and persons belonging to the management.

The terms and conditions of the stock options 2022 available on the company's webpage: www.qpr.com/company/investors

Stock option schemes and subscription period	Stock options granted / outstanding at end of the year	Returned/exercised/ expired	Un- distributed	One option entitles to purchases shares	Share subscription price
2019A 1.1.2022–31.1.2023	315,000	122,000	0	1	1.70
2019B 1.1.2023–31.1.2024	273,000	150,000	0	1	2.55
2022 15.6.2025–31.5.2027	416,112		73,430	1	0.85
Total	**1,004,112**	**272,000**	**73,430**		

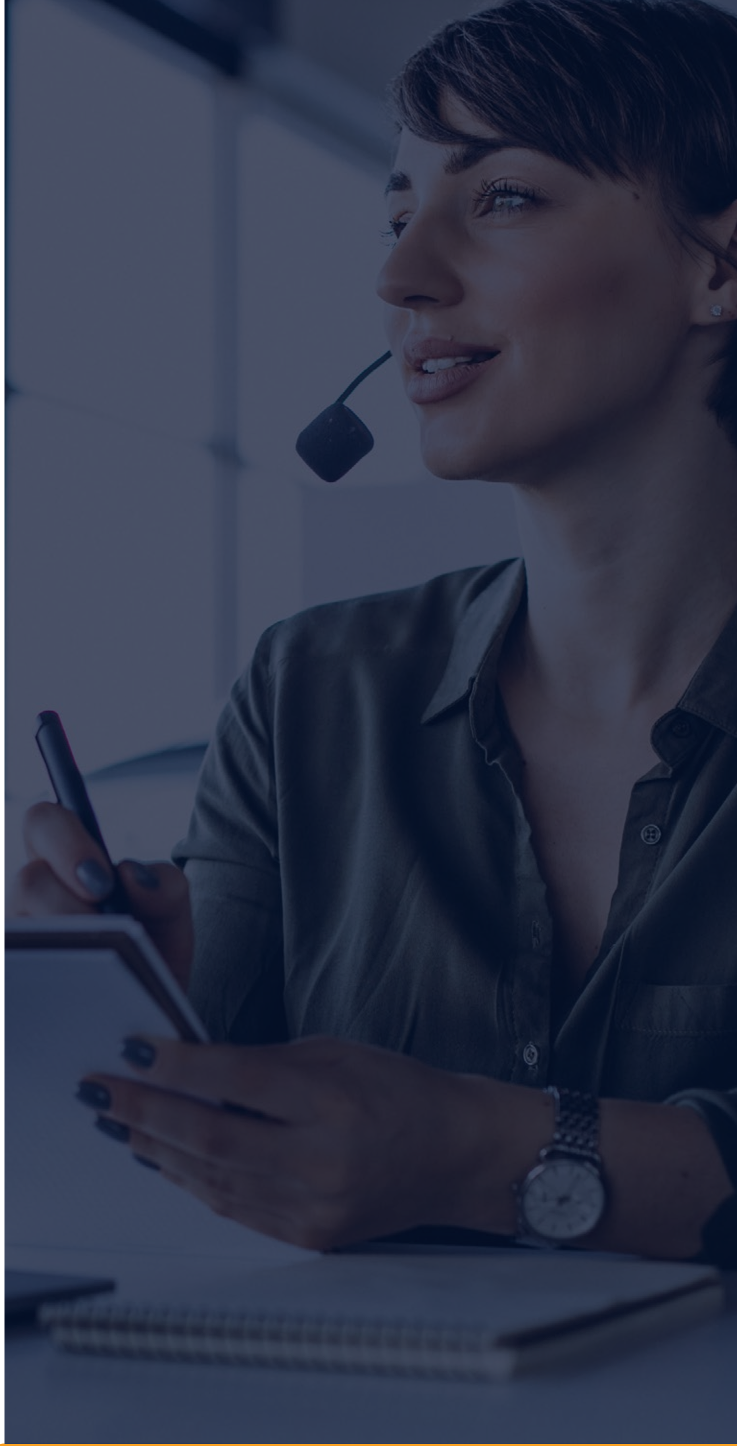
9. DEPRECIATION AND AMORTIZATION

	Group, IFRS (EUR 1,000)		Parent company, FAS (EUR 1,000)	
	2022	2021	**2022**	2021
Intangible assets	671	1,112	75	69
Tangible assets				
Machinery and equipment	111	88	111	88
Right-of-use assets, buildings	235	289	-	-
Total	**1,017**	**1,489**	**186**	**157**

No write-downs on assets were booked in 2022 (2021: EUR 372 thousand). The write-downs in 2021 are related to product development activations EUR 218 thousand and goodwill EUR 155 thousand.

10. OTHER OPERATING EXPENSES

	Group, IFRS (EUR 1,000)		Parent company, FAS (EUR 1,000)	
(EUR 1,000)	**2022**	2021	**2022**	2021
Non-statutory indirect employee costs	191	137	148	98
Premises	25	57	291	346
Travel expenses	44	32	39	28
Marketing and other sales promotion	279	153	279	153
Computers and software	528	435	510	427
External services	807	616	778	591
Doubtful receivables and bad debts	58	129	46	129
Capitalized product development expenses	-1,321	-750	-	-
Other expenses	202	158	208	142
Total	**814**	**968**	**2,299**	**1,916**



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

Auditing	66	32	59	27
Other services	5	3	5	3
Total	**71**	**35**	**65**	**30**

The non-audit services performed by the statutory auditor KPMG OY AB during 2022 was EUR 5 thousand (2021:3).

The management and administrative service fees charged by the parent company are reported in other operating income, not as deductions in the other services.

Product development expenses incurred during the year

Expenses recognized in profit or loss	1,353	1,365	119	237
Capitalized expenses	1,321	750	-	-
Total	**2,674**	**2,115**	**119**	**237**

Product development expenses mainly consist of external services and personnel expenses. Recognized expenses do not include amortization. The amortization of capitalized product development expenses is presented in Note 14.

11 . FINANCIAL INCOME AND EXPENSES

Recognized in profit or loss

	Group, IFRS (EUR 1,000)		Parent company, FAS (EUR 1,000)	
	2022	2021	**2022**	2021
Interest income from loans and other receivables	0	0	0	0
Interest expenses from loans	-21	-14	-21	-14
Other financial income and expenses	-25	-81	-526	-70
Exchange rate differences	-16	-12	-54	-63
Total	**-62**	**-108**	**-600**	**-146**

Exchange rate differences in profit and loss

Exchange rate differences included in net sales	-10	-23	-13	-25
Exchange rate gains in financial income	4	3	2	1
Exchange rate losses in financial expenses	-20	-15	-55	-64
Total	**-26**	**-36**	**-66**	**-88**

Other Financial income and expenses in parent company include right issue costs worth of EUR 512 thousand according to FAS. According to IAS32 group is presented right issuance as net value.

12. INCOME TAXES

Recognized in profit or loss

	Group, IFRS (EUR 1,000)		Parent company, FAS (EUR 1,000)	
	2022	2021	**2022**	2021
Current tax expense	0	1	0	0
Tax expense from previous years	3	-1	0	0
Total	**3**	**0**	**0**	**0**

Reconciliation between the income tax expense in the comprehensive income statement and the tax expense calculated at the applicable corporate tax rate in Finland (20% in 2022 and 2021).

The Group did not recognize deferred tax assets of EUR 722 thousand in 2022 nor in EUR 284 thousand in 2021. A deferred tax asset of EUR 273 thousand has been recognized in the balance sheet for confirmed and probable unused losses of the Group's Finnish Companies from the previous years. Total recognized and unrecognized deferred tax assets in the end of 2022 was EUR 1,279 thousand.

Note 19 describes more extensively the criteria for assessing deferred tax assets.

	Group, IFRS	
(EUR 1,000)	**2022**	2021
Result before tax	-2,864	-1,356
Income tax calculated at the Finnish corporate tax rate	573	271
Effect of different tax rates in foreign subsidiaries	-1	-5
Effect of IFRS 15 and IFRS 16	40	19
Other items	-7	-1
Withholding tax	12	-
Deferred tax of right issue costs	102	-
Unrecognized deferred tax	-722	-284
Tax expense in the comprehensive income statement	**-3**	**-0**

13. EARNINGS PER SHARE

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

	Group, IFRS	
(EUR 1,000)	**2022**	2021
Total comprehensive income attributable to shareholders of the parent company (EUR thousand)	-2,870	-1,356
Number of shares outstanding (1,000 pcs)	14,187	11,988
Earnings per share (EUR/share)		
Undiluted and diluted	-0.202	-0.113

The Group is operating share option schemes, Stock option plan 2019 and 2022. In 2022 and 2021, the stock option scheme did not have a dilutive effect. The Group arranges successful right issuance in 2022 with 4,010,458 new shares. Total outstanding shares on December 31, 2022 was 16,041,834.

14. INTANGIBLE ASSETS

Group (EUR 1,000), IFRS	**Computer software**	**Other intangible assets**	**Capitalized product development**	**Total**
Book value Jan 1, 2021	**7**	**2**	**1,801**	**1,809**
Increases and decreases	3	0	856	859
Write-downs in 2021	0	0	-218	-218
Amortization for the period	-3	-1	-735	-739
Acquisition cost Dec 31, 2021	1,064	2,596	8,363	12,023
Accum. amortization and write-downs Dec 31, 2021	-1,057	-2,595	-6,659	-10,312
Book value Jan 1, 2022	**7**	**1**	**1,704**	**1,711**
Increases and decreases	0	35	1,336	1,371
Amortization for the period	-4	-7	-660	-671
Acquisition cost Dec 31, 2022	1,064	2,630	9,699	13,394
Accum. amortization and write-downs Dec 31, 2022	-1,061	-2,603	-7,319	-10,983
Book value Dec 31, 2022	**3**	**28**	**2,380**	**2,411**

R&D assets (EUR 1710 thousand) and unfinished product development projects (EUR 670 thousand), which have not yet commercialized and respectively started depreciations, are tested at the end of each financial period or at any event if there is indication of impairment on any asset for the four (4) year period.

QPR has in the reporting period tested R&D assets for impairment at 31.12.2022. The recoverable amount from the cash generating unit is determined based on value in-use calculations. The calculations are prepared following the discounted cash flow method using the management approved estimates driven from budget for the following year and subsequent development derived from the strategic plans. Terminal year value has been defined based on the long-term strategic plans taking average cash flows of the period. Cash flows beyond the 5-year period are calculated using the terminal value method. The terminal growth rate of 1.0% percent (1.0%) used in projections is based on management's assessment on conservative long-term growth. Key driver for the valuation is the revenue growth based on the Group's performance and future strategic growth plans, market position as well as the potential in key markets. The applied discount rate is the weighted average pre-tax cost of capital (WACC). The components of the WACC are risk-free rate, market risk premium, company specific factor, and industry specific beta, cost of debt and debt/equity ratio. The WACC of 11.28% percent (11.14 %) has been used in the calculations. As a result of the impairment test, no impairment loss for the CGU was recognized for the financial period ended 31.12.2021. Based on testing performed in 2022, no need was found for recognizing impairment losses: a clear margin was left for each tested unit.

Accounting estimates and management's judgements

The management uses significant estimates and judgement when determining whether there are indications of impairment of R&D assets. Management judgement has also been used when defining the amount of cash generating units and taken into account software business area and related consulting recoverable amounts. The cash flow projections are based on budgets and financial estimates approved by management covering a 5-year period. Cash flow forecasts are based on QPR's existing business structure, actual results and the management's best estimates on future sales, cost and EBITDA development, general market conditions, growth potential on the market as well as economical uncertainties. Management has considered in the estimates the impact of decided structural changes in all business areas to improve performance. Management tests the impacts of changes in significant estimates used in forecasts by sensitivity analyses. According to Group level sensitivity analyses for R&D assets, there will be need for write-downs, if the operating profit decreases by 15 percentage units or the discount rate increases by 14 percentage units compared to values used in the calculations and without considering potential adjustments to the cost level.

Parent company (EUR 1,000), FAS	Computer software	Other intangible assets	Capitalized product development	Total
Book value Jan 1, 2021	**248**	**2**	**9**	**259**
Increases	0	0	0	0
Decreases	0	0	0	0
Amortization for the period	-64	-1	-3	-69
Acquisition cost Dec 31, 2021	1,331	1,553	365	3,249
Accum. amortization and write-downs Dec 31, 2021	-1,147	-1,552	-360	-3,059
Book value Jan 1, 2022	**184**	**1**	**5**	**191**
Increases	0	35	0	35
Decreases	0	0	0	0
Amortization for the period	-64	-7	-3	-75
Acquisition cost Dec 31, 2022	1,331	1,587	365	3,284
Accum. amortization and write-downs Dec 31, 2022	-1,211	-1,559	-364	-3,134
Book value Dec 31, 2022	**121**	**28**	**2**	**150**

15. LIIKEARVO

Group (EUR 1,000)	**2022**	2021
Acquisition cost Jan 1	358	513
Write-downs	0	-155
Acquisition cost Dec 31	358	358
Book value Dec 31	358	358

Goodwill arises from the acquisition of Nobultec Ltd in 2011 and it has been allocated to the Process Mining (formerly known as Process Intelligence) business unit.

QPR has in the reporting period tested goodwill for impairment at 31.12.2022. The recoverable amount from the cash generating unit is determined based on value in-use calculations. The calculations are prepared following the discounted cash flow method using the management approved estimates driven from budget for the following year and subsequent development derived from the strategic plans. Terminal year value has been defined based on the long-term strategic plans. Cash flows beyond the 5-year period are calculated using the terminal value method. The terminal growth rate of 1.0% percent (1.0%) used in projections is based on management's assessment on conservative long-term growth. Key driver for the valuation is the revenue growth based on the Process Mining business area's performance and future strategic growth plans, market position as well as the potential in key markets. The applied discount rate is the weighted average pre-tax cost of capital (WACC). The components of the WACC are risk-free rate, market risk premium, company specific factor, and industry specific beta, cost of debt and debt/equity ratio. The WACC of 11.28% percent (11.14 %) has been used in the calculations. As a result of the impairment test, no impairment loss for the CGU was recognized for the financial period ended 31.12.2022. When assessing the recoverable amounts of cash generating unit, management believes that no reasonably possible change in any of the key variables used would lead to a situation where the recoverable amount of the unit would fall below their carrying amount. Considering that, QPR does not present any sensitivity analyses regarding impairment test.

Accounting estimates and management's judgements

The management uses significant estimates and judgement when determining whether there are indications of impairment of goodwill. Management judgement has also been used when defining the amount of cash generating units and considered Process Mining software business area and related consulting recoverable cash flows, as well as recoverable cash flows from common functions. The cash flow projections are based on budgets and financial estimates approved by management covering a 5-year period. Cash flow forecasts are based on QPR's existing business structure, actual results and the management's best estimates on future Net Sales, cost development, general market conditions and growth potential on the market as well as economic uncertainties. Management has considered decided structural changes impacting to all business areas for improving performance as well as realized last quarter growth drivers. Management tests the impacts of changes in significant estimates used in forecasts by sensitivity analyses.

16. TANGIBLE AND RIGHT-OF-USE ASSETS

Group (EUR 1,000), IFRS	**Machinery and equipment**	**Right-of-use assets: buildings**
Book value Jan 1, 2021	**176**	**211**
Increases	83	226
Depreciation for the period	-88	-289
Acquisition cost Dec 31, 2021	2,166	1,012
Accum. depreciation and write-downs Dec 31, 2021	-1,994	-864
Book value Jan 1, 2022	**171**	**148**
Increases	111	842
Depreciation for the period	-111	-235
Acquisition cost Dec 31, 2022	2,277	1,854
Accum. depreciation and write-downs Dec 31, 2022	-2,105	-1,099
Book value Dec 31, 2022	**171**	**756***)

The Group entered on November 1, 2022 into the 5.5 years lease agreement for head quarter office premises with substantially lower annual lease expenses. According to agreement, the Group has a possibility to move to landlord's other facilities in case the changes require so. Lease liabilities have been calculated according to the 5.5 years lease period, which substantially increased the Right of Use assets against the comparable period.

Parent company (EUR 1.000), FAS	**Machinery and equipment**
Book value Jan 1, 2021	**176**
Increases	83
Depreciation for the period	-88
Acquisition cost Dec 31, 2021	2,126
Accum. depreciation and write-downs Dec 31, 2021	-1,955
Book value Jan 1, 2022	**171**
Increases	111
Depreciation for the period	-111
Acquisition cost Dec 31, 2022	2,237
Accum. depreciation and write-downs Dec 31, 2022	-2,066
Book value Dec 31, 2022	**171**

*) Right-of-use assets Note 28 Leases

17. SHARES IN SUBSIDIARIES AND OTHER ENTITIES

The parent company of the Group is QPR Software Plc.

Subsidiaries	Domicile	**2022**	2021
Owned directly by the parent company:			
QPR CIS Oy	Helsinki, Finland	100%	100%
QPR Software AB	Stockholm, Sweden	100%	100%
QPR Services Oy	Helsinki, Finland	100%	100%
QPR Software Inc.	San Jose, CA, USA	100%	100%
QPR Software Limited*	London, UK	100%	100%

Shares in subsidiaries	Parent company (EUR 1,000) 2022	2021
Acquisition cost Jan 1	3,581	3,581
Increases	0	0
Acquisition cost Dec 31	3,581	3,581
Book value Dec 31	**3,581**	**3,581**
Other shares		
Acquisition cost Jan 1	5	5
Acquisition cost Dec 31	5	5
Book value Dec 31	**5**	**5**
Total book value of shares Dec 31	**3,586**	**3,586**

18. LONG-TERM RECEIVABLES

	Group, IFRS (EUR 1,000)		Parent company, FAS (EUR 1,000)	
	2022	2021	**2022**	2021
Receivables from the Group companies	-	-	225	225
Breakdown of the Parent company's receivables from Group companies:	-	-		
QPR CIS Oy	-	-	225	225
Total	-	-	**225**	**225**

19. DEFERRED TAX ASSETS AND LIABILITIES

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

	Group, IFRS (EUR 1,000)		Parent company, FAS (EUR 1,000)	
	2022	2021	**2022**	2021
Jan 1	273	273	0	167
Recorded in equity	-	-	0	-167
Dec 31	**273**	**273**	**0**	**0**

A deferred tax asset of EUR 273 thousand has been recognized in the balance sheet for confirmed and probable unused losses of the Group's Finnish Companies. These tax assets company will most likely be able to utilize before the end of the utilization period by 2030.

The company has not recognized deferred tax assets in 2021 and 2022 according to the principle of precaution. Unbooked deferred tax assets for the loss in 2022 amount to EUR 722 thousand and in 2021 EUR 284 thousand, Deferred tax assets recognized and unrecognized total of EUR 1,279 thousand.

At 31 December 2022, QPR concluded based on its assessment that it is not probable for result year 2022 that it will be able to utilize the unused tax losses, unused tax credits and deductible temporary differences in Finland in the foreseeable future. This assessment was done primarily based on the historical performance. In 2022, QPR generated accounting and taxable loss. This conclusion is based on the weighting of objective negative evidence against more subjective positive evidence. The primary factors in this weighting were the more objective record of a pattern of financial performance compared to the more inherently subjective expectations regarding future financial performance in Finland. QPR continues to assess the realizability of deferred tax assets including in particular its actual profitability and may re-recognize deferred tax assets related to Finland where a clear pattern of tax profitability can be established. Finnish unrecognized and recognized deferred tax assets expires in ten years from the time those arose, starting from year 2026 until 2032 and are available against future Finnish tax liabilities.

20. TRADE AND OTHER RECEIVABLES

	Group, IFRS (EUR 1,000)		Parent company, FAS (EUR 1,000)	
	2022	2021	**2022**	2021
Trade receivables	2,831	2,006	2,775	1,828
Credit loss provision	-3	-45	-3	-45
Accrued income and prepaid expenses	380	163	369	138
Other receivables	242	570	63	393
Current receivables from Group companies	-	-	1,907	386
Total	**3,449**	**2,694**	**5,111**	**2,701**

Geographical breakdown of trade receivables:

Finland	1,172	828	1,172	828
Other European countries	1,162	667	1,146	544
Countries outside Europe	497	511	457	457
Total	**2,831**	**2,006**	**2,775**	**1,828**

Currency breakdown of trade receivables:

	Group, IFRS			
(EUR 1,000)	**2022**	%	**2021**	%
EUR (Euro)	2,316	81.8	1,505	75.0
USD (U.S. Dollar)	240	8.5	290	14.5
SEK (Swedish Krona)	33	1.2	45	2.2
ZAR (South African Rand)	6	0.2	13	0.7
JPY (Japanese Yen)	16	0.6	13	0.6
GBP (Pound Sterling)	23	0.8	42	2.1
RUB (Russian Ruble)	0	0.0	2	0.1
AED (United Arab Emirates dirham)	196	6.9	96	4.8
Total	**2,831**	**100**	**2,006**	**100.0**

Age analysis of trade receivables:

Fair value of trade receivables:

Not due	1,940	68.5	1,605	80.0
0 - 90 days overdue	825	29.1	291	14.5
90 - 180 days overdue	47	1.7	14	0.7
More than 180 days overdue	20	0.7	96	4.8
Total	**2,831**	**100**	**2,006**	**100**

The initial book value of trade receivables equals fair value because the effect of discounting is not material considering maturity.

Credit losses and provision of credit losses

The Group recognizes expected credit loss provision based on the age of the trade receivable as well as experience.

	Group, IFRS		
	Trade receivables	Credit loss expectation based on trade receivables 2022, EUR 1,000	Credit loss expectance based on age trade receivables,%
Not due	1,940	0	0.0
0 - 60 days overdue	815	4	0.5
60 - 120 days overdue	11	0	1.0
120 - 180 days overdue	45	1	2.0
>180 days overdue	20	2	10.0
Total	**2,831**	**7**	

In addition to the maturity-based matrix for trade receivables, in 2022, the Company has not recognized additional provisions for credit losses based on experience (2021: 33).

Credit losses of EUR 36 thousand (2021: 129) on trade receivables have been recognized in the Group's result.

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

	Parent company, FAS (EUR 1,000)	
	2022	2021
Accrued income	32	35
Prepaid expenses	330	103
Total	**363**	**138**

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

	Parent company, FAS (EUR 1,000)	
	2022	2021
QPR Services Oy	1,907	386
Total	**1,907**	**386**

21. CASH AND CASH EQUIVALENTS

	Group, IFRS (EUR 1,000)		Parent company, FAS (EUR 1,000)	
	2022	2021	**2022**	2021
Bank accounts	17	441	1	384
Total	**17**	**441**	**1**	**384**

Additional information about Company's financial position in notes 25.

22. BALANCE SHEET ITEMS RELATED TO CUSTOMER CONTRACTS

	Group, IFRS (EUR 1,000)		Parent company, FAS (EUR 1,000)	
	2022	2021	**2022**	2021
Trade receivables	2,831	1,961	2,775	1,784
Contract assets	33	303	33	303
Contract liabilities	-885	-627	-860	-541

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

Contract liabilities, on the contrary, are items which have already been invoiced, but for which performance obligations have not yet been entirely fulfilled. In QPR Software, contract liabilities are usually related to maintenance or SaaS fees, which are invoiced in advance and are recognized as revenue over the duration of the contract period.

23. SHAREHOLDERS' EQUITY

The Company has one series of shares, and the maximum value of share capital is EUR 1,359 thousand. All issued shares have been paid in full. The Company arranged right issuance in 2022 increasing the number of shares to 16,455,321 (2021: 12,444,863).

Other funds

Includes the reserve fund in subsidiary QPR Software AB.

Treasury shares

Treasury shares include the purchase price of shares repurchased by the Group.

Invested unrestricted equity fund

Invested unrestricted equity fund includes proceedings from the right issuance arranged in the second quarter of 2022. Along with the right issuance 4,010,458 new shares were registered. According to Finnish accounting standards, invested unrestricted equity funds are reported into gross value.

Calculation of the distributable funds

	Parent company, FAS (EUR)
	2022
Retained earnings	270,643
Result for the period	-3,007,840
Deferred taxes for previous financial years	-
Dividends paid	-
Treasury shares	-405,727
Invested unrestricted equity fund	3,454,341
Activated product development expenses	-
Distributable funds	**311,418**

24. OTHER NON-CURRENT LIABILITIES AND INTEREST-BEARING

Non-current liabilities	**Group** (EUR 1,000)		**Parent company** (EUR 1,000)	
(EUR 1,000)	**2022**	2021	**2022**	2021
Non-current Lease liabilities	609	-	-	-
Total	**609**	-	-	-

Current interest-bearing loans	**Group, IFRS** (EUR 1,000)		**Parent company, FAS** (EUR 1,000)	
	2022	2021	**2022**	2021
Loans from banks, next year repayment	1,521	1,500	1,521	1,500
Lease lbilities	149	182	-	-
Total	**1,670**	**1,682**	**1,521**	**1,500**

Interest-bearing loans consist of a 1.05% fixed-interest short-term bank loan.

The Group has a EUR 1.0 million credit limit at its disposal, of which EUR 21 thousand was in use at the end of 2022 (2021: 0).

The parent company has a EUR 1.5 million revolving credit facility agreement at its disposal, of which EUR 1.5 million was in use at the end of 2022. The agreement for the revolving credit facility was renewed in February 2022 and transformed into a long-term loan on January 24, 2023, maturing in 2026.

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

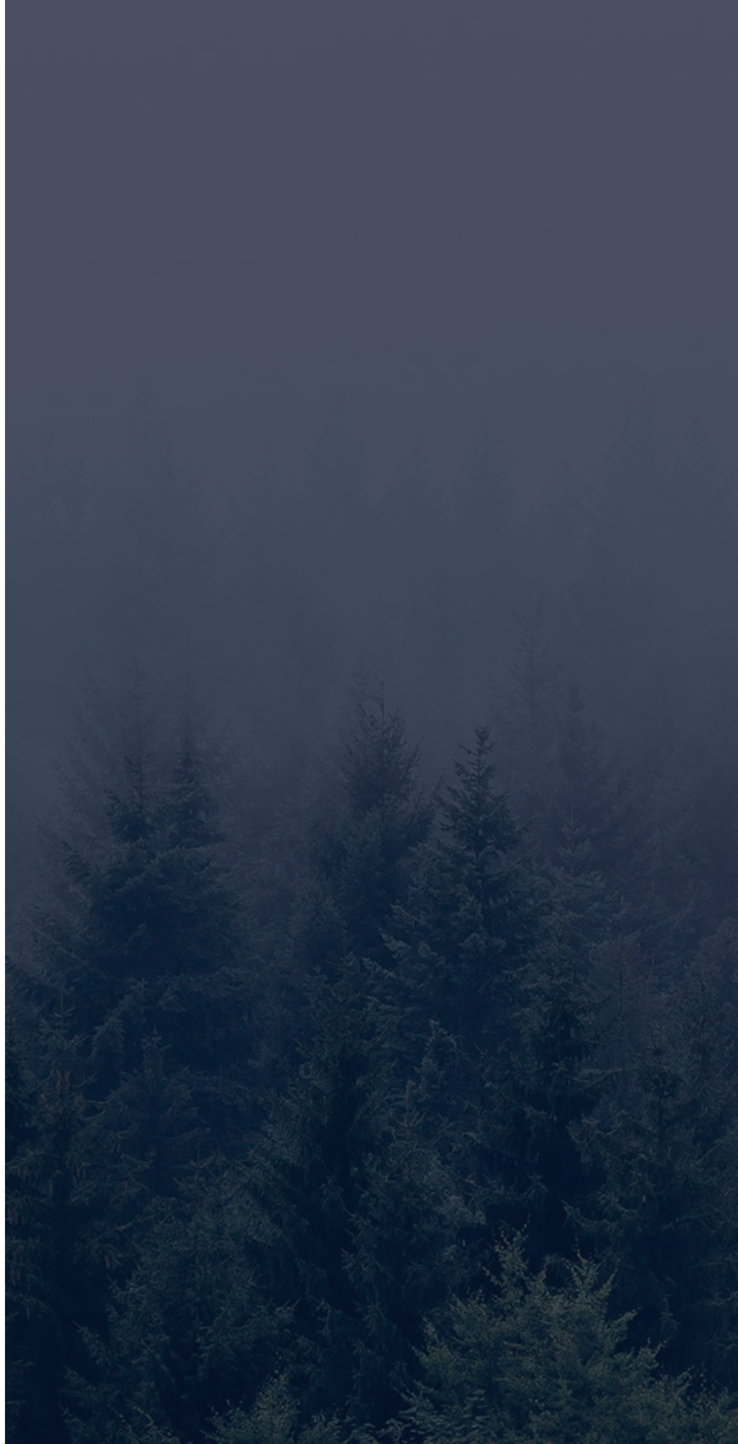
Repayment schedule of right-of-use liabilities

Group, IFRS

(EUR 1,000)

			2022		2021	
	Nominal interest rate	Maturity	Nominal value	Book value	Nominal value	Book value
Lease liabilities	4,3 %	2022-2027	824	758	182	182
Interest-bearing right-of-use liabilities			**824**	**758**	**182**	**182**

The Group entered on November 1, 2022 into a lease contract for new headquarter office premises for 5.5 years, with the possibility to change the office premises with the landlord’s other facilities. In addition, the Group has lease liabilities related to the Oulu office premises and parking plots.



25. TRADE PAYABLES AND OTHER LIABILITIES

	Group, IFRS (EUR 1,000)		Parent company, FAS (EUR 1,000)	
	2022	2021	**2022**	2021
Provisions for liabilities and charges	-	-	33	-
Provisions	33	-	-	-
Trade payables	499	196	458	180
Accrued expenses and prepaid income	2,598	2,293	2,339	1,977
Advances received	885	627	860	541
Other liabilities	661	572	571	463
Current liabilities to Group companies	-	-	1,793	1,415
Total	**4,676**	**3,689**	**6,053**	**4,576**

The initial carrying amount of trade payables and other liabilities corresponds to the fair value because the effect of discounting is not material considering the maturity of the item. The amount of trade payables in foreign currencies was low, 1%, in 2022 and 2021.

QPR has recognized a provision for the estimated restructuring cost following management's approval of the publication of the detailed restructuring plan. The provision applies to expenses related to the reorganization of personnel published 20 September 2022 and as a result to costs related to the termination of the lease of premises. On 31 December 2022 the provision was EUR 33 thousand. Cash flows related to the restructuring are expected to materialize over the next six (6) months.

This provision is reported in QPR Software Plc under provisions for liabilities and charges, and in the Group under provisions.

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

	Parent company, FAS (EUR 1,000) 2022	2021
Holiday pay, including social costs	575	607
Bonuses, including social costs	136	164
Prepaid income	1,508	1,151
Other accrued expenses	119	54
Total	**2,339**	**1,977**

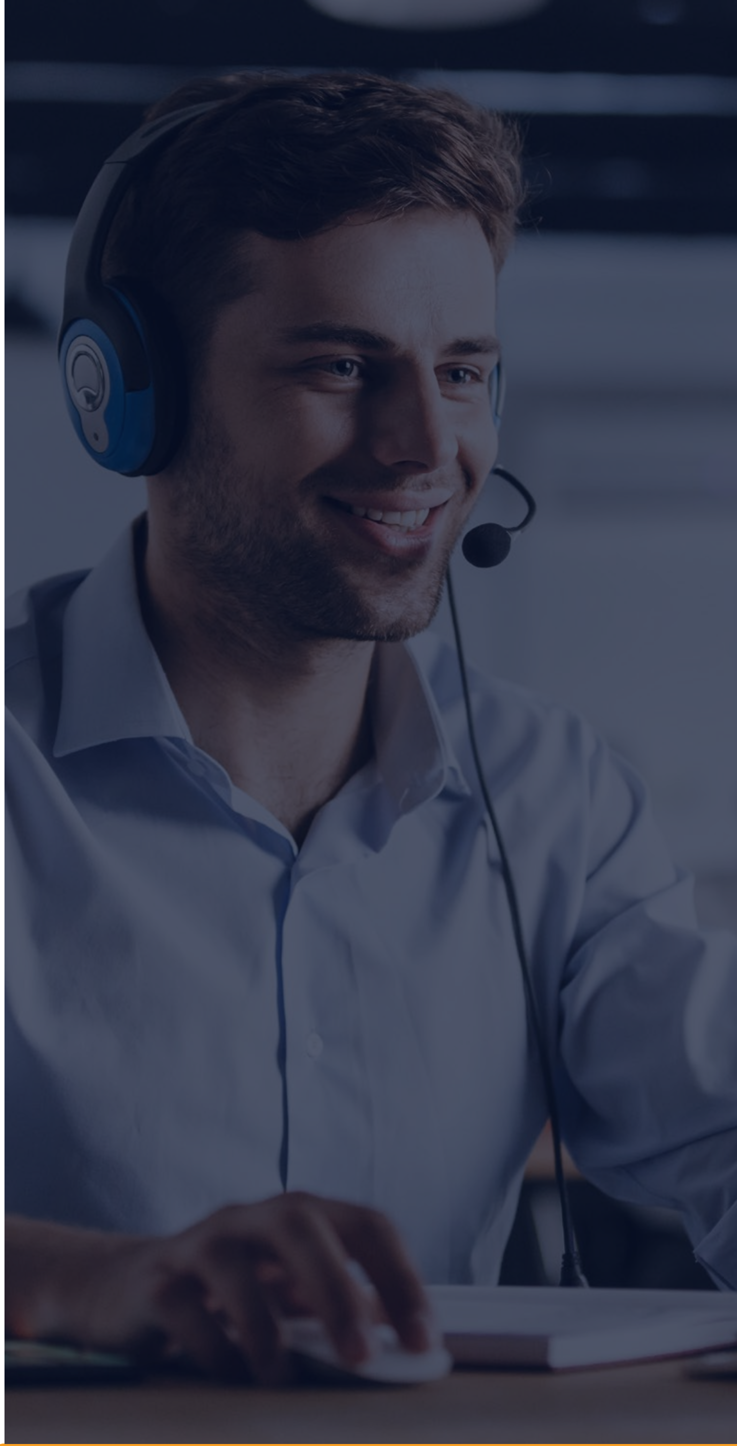
Breakdown of the parent company's liabilities to Group companies:

	Parent company, FAS (EUR 1,000) 2022	2021
QPR Services Oy	0	0
QPR CIS Oy	24	16
QPR Software AB	1,017	665
QPR Software Inc	750	730
QPR Software Limited	2	4
Total	**1,793**	**1,415**

26. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

The table discloses carrying amounts of financial assets and financial liabilities. The fair value hierarchy level for equity investments measured at fair value is 3. The carrying amount of other financial assets and financial liabilities is a reasonable estimate of their fair value. The financial assets and liabilities are classified in accordance with IFRS 9.

December 31, 2022		**Book value**		
	Note	At fair value through profit or loss	Recognised at amortised cost	Total
Financial assets				
Financial assets measured at fair value				
Equity investments	17	5		5
Total		5		5
Financial assets not measured at fair value				
Trade and other receivables	20	0	3,452	3,452
Cash and cash equivalents	21	0	17	17
Total			3,469	3,469
Financial liabilities				
Financial liabilities not measured at fair value				
Bank borrowings	24	0	1,521	1,521
Right-of-use liabilities	24	0	758	758
Trade payables and other liabilities	25	0	4,676	4,676
Total			6,955	6,955



27. ADJUSTMENTS TO THE CASH FLOW FROM OPERATING ACTIVITIES

	Group, IFRS (EUR 1,000)	
	2022	2021
Other items	-173	29
Total	**-173**	**29**

Other items include Stock option program IFRS2 adjustments and accounts payable related to investments.

28. COMMITMENTS AND CONTINGENT LIABILITIES

	Group, IFRS (EUR 1,000)		Parent company, FAS (EUR 1,000)	
	2022	2021	**2022**	**2021**
Business mortgage	2,382	2,386	2,337	2,337
Lease liabilities and rental commitments				
Maturing within one year	47	23	226	181
Maturing during in 1-5 years	80	23	749	23
Total	**2,509**	**2,432**	**3,313**	**2,541**

Rental commitments include following agreements:

GROUP (IFRS)

Business mortgages are given as guarantee for Nordea towards RCF loan value EUR 1,500 thousand.

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

Rental agreements related office and IT equipment as well as car lease agreements

PARENT (FAS)

Business mortgages are given as guarantee for Nordea towards RCF loan value EUR 1,500 thousand.

Rental guarantees totaling EUR 13 thousand are included in other current receivables in the balance sheet.

Rental agreements related office and IT equipment as well as car lease agreements.

The Group entered a 5.5-year lease agreement, with substantially lower monthly rent. The agreement enables transferring the contract to the other landlord's facilities after 3 years.

The Group and the parent company had no derivative contracts in the end of financial years 2022 and 2021.

29. LEASE AGREEMENTS

Leases in the Balance Sheet

	Group, IFRS (EUR 1,000) **Dec 31, 2022**	**Group, IFRS** (EUR 1,000) Dec 31, 2021
Assets		
Non-current assets		
Right-of use assets, buildings	756	148
Total	**756**	**148**
Lease liabilities, non-current	609	-
Lease liabilities, current	149	182
Total	**758**	**182**

Right-of-use assets and lease liabilities are related to the 5.5-year lease agreement signed by the company on 1.11.2022 for the office premises of the head office. The agreement allows for a move to other premises offered by the landlord after three (3) years. In addition, the company has rental liabilities for Oulu premises and parking spaces. According to the concluded agreement, the annual rent of the company decreases. Note 28 describes the maturity of the agreement.

Leases in the Income Statement

	1-12 2022	1-12 2021
Depreciation of right-of-use assets	-235	-289
Interest expenses	-8	-5
Total	**-243**	**-295**

The total cash outflow for leases in 2022 was EUR 266 thousand (2021: 295).

30. FINANCIAL RISK MANAGEMENT

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

Foreign exchange risk

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

The majority of trade receivables is in Euros (EUR), 82%. During the financial year, the most significant invoicing currencies after EUR were the U.S. Dollar (USD), the United Arab Emirates Dirham (AED), and the Swedish Krona (SEK). If the value of USD, AED, and SEK against EUR were to decrease by 10%, and the share of currencies were to remain on the same level, the value of trade receivables would decrease by EUR 47 thousand, equaling 1.7% of the total value of all trade receivables. Correspondingly, if the value of all non-EUR invoicing currencies were to decrease by 10%, the value of trade receivables would decrease by EUR 48 thousand. A breakdown of trade receivables by currency is presented in Note 20

In accordance with the foreign exchange risk policy approved by the Board of Directors, the Company may engage in foreign currency hedging. The purpose of currency hedging is to reduce the uncertainty brought by exchange rates and to minimize the adverse impact of exchange rate changes to the Group's cash flow, financial results, and equity. Management regularly reviews the Company's foreign exchange risks, taking into account the hedging costs. At the end of 2022 and 2021, the Company did not have any hedging instruments

Interest rate risk

The impact of interest rate changes on the Group result is insignificant and the Group did not take any hedging measures during the financial year. As an event after the reporting period, the interest rate on the financing agreement signed in January 2023 is tied to the 12 month euribor.

Liquidity risk

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

The purpose of liquidity risk management is to maintain sufficient liquidity and to ensure that funds are continuously available to finance business operations quickly enough. QPR maintains sufficient liquidity through efficient cash management and deposits. The Group's interest-bearing loans were not bind under covenants as per 31.12.2023. The group converted it's loan in January 2023 to the long term and bind under covenants, measured against EBITDA and own equity ratio. EBITDA based performance measure is tested bi-annually and own equity ratio annually in the end of year. The credit limit will be repaid in instalments of 500 thousand on 31.1.2024, 31.1.2025, and 31.1.2026. These financial statements have been prepared on a going concern basis, taking into account the efficiency measures taken, the business forecast, and the financing agreement renewed by the company in January 2023.

Maturity distribution of financial liabilities (figures are undiscounted):

31.12.2022

Group, IFRS

(EUR 1,000)	Book value	0–6 months	7–12 months	beyond 12 months
Trade and other payables	499	499	0	0
Bank borrowings, revolving credit facility	1,521	1,521	0	0
Lease liabilities (IFRS16)	758	85	63	609
Total	**2,778**	**2,105**	**63**	**609**

Group, IFRS

(EUR 1,000)	Book value	0–6 months	7–12 months	beyond 12 months
Trade and other payables	196	196	0	0
Bank borrowings, revolving credit facility	1,500	1,500	0	0
Lease liabilities (IFRS16)	182	182	0	0
Total	**1,878**	**1,878**	**0**	**0**

Operative credit risk

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

31. CAPITAL MANAGEMENT

Group (EUR 1,000), IFRS	**2022**	2021
Cash and cash equivalents	17	441
Net liabilities	2,262	1,241
Shareholders' equity	487	430
Gearing, %	464.9	288.5
Equity ratio, %	7.4	8.3
Total balance sheet	7,442	5,800

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

32. EVENTS AFTER THE REPORTING PERIOD

New financing agreement

QPR Software entered into a new financing agreement of 1.5 million euros with its main financing bank on 24 January 2023. This financing agreement replaces and refinances the company's current loan and prepares for future growth-supporting working capital needs. The new loan has a three-year loan term and matures on January 31, 2026.

In accordance with the financing agreement, the first installment of EUR 0.5 million is due on January 31, 2024. After this, installments of EUR 0.5 million are due every year in January. The company will withdraw the loan in April 2023 and convert it into the current interest-bearing loan.

The covenants of 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 annually according to the status on the last day of the year.

New CEO to start in the position on March 1, 2023

On 20 December 2022, QPR Software Plc’s CEO Jussi Vasama announced his resignation in order to assume a new position outside of QPR.

QPR Software Plc’s Board of Directors appointed Heikki Veijola (born 1970) as the company's new CEO on 2 January 2023. Veijola will start in the position on March 1, 2023.

Veijola has a master's degree in Economics (M.Sc., Turku School of Economics and Business Administration) majoring in International Marketing.

Veijola has most recently served as Enreach Oy’s Director of Strategic Partnerships and member of the executive management team, being responsible for business operations in the Microsoft and Salesforce -ecosystems as well as for cooperation with system integrators, consultants, and other strategic partnerships, especially in Northern Europe. Before this, Veijola was the Sales Director of Enreach Oy.

33. KEY FIGURES OF THE GROUP 2021–2022

Group, IFRS

(EUR 1,000)	**2022**	**2021**	**2020**
Net sales	7,823	9,140	8,971
Growth of net sales, %	-14.4	1.9	-5.7
Operating result	-2,770	-1,248	-936
% of net sales	-35.4	-13.7	-10.4
Result or loss before tax	-2,864	-1,356	-952
% of net sales	-36.6	-14.8	-10.6
Result for the period	-2,868	-1,356	-812
% of net sales	-36.7	-14.8	-9.0
Return on equity, %	-625.7	-111.4	-34.1
Return of investments, %	-120.3	-49.3	-28.0
Cash and cash equivalents	17	441	185
Net liabilities	2,262	1,241	762
Equity	487	430	1,759
Gearing, %	464.9	288.5	38.0
Equity ratio, %	7.4	8.3	34.6
Total balance sheet	7,442	5,800	6,317
Investment in intangible and tangible assets	2,324	924	1,210
% of net sales	29.7	10.1	13.5
Research and development expenses	2,674	2,115	2,050
% of net sales	34.2	23.1	22.9
Personnel average for period	81	80	86
Personnel at the beginning of period	80	88	83
Personnel at the end of period	85	80	88

34. PER-SHARE KEY FIGURES 2021–2022

Group, IFRS

(EUR 1,000)	**2022**	**2021**	**2020**
Diluted/Undiluted Earnings per share, EUR	-0.202	-0.113	-0.068
Equity per share, EUR	0.030	0.035	0.161
Dividend per share *, EUR	0.000	0.000	0.000
Dividend as % of result	0.0	0.0	0.0
Effective dividend yield, %	0.0	0.0	0.0
Price/earnings ratio (P/E)	-2.8	-16.4	-33.1
Development of share price			
Average price, EUR	1.02	1.97	2.01
Lowest closing price, EUR	0.50	1.48	1.70
Highest closing price, EUR	1.89	2.38	2.50
Closing price on Dec 31, EUR	0.56	1.85	2.24
Market capitalization on Dec 31, EUR 1,000	8,983	22,178	26,853
Development of trading volume			
Number of shares traded, 1,000 pcs	2,263	3,324	1,403
% of all shares	14.1	27.7	11.7
Number of shares on Dec 31, 1,000 pcs	16,455	12,445	12,445
Average number of shares outstanding	16,042	11,988	11,988

35. RECONCILIATION OF ALTERNATIVE KEY FIGURES

		2022	2021
Equity ratio, %			
	Total Equity	487	430
	balance sheet total	7,442	5,800
	Advances received	885	627
	Total equity x 100 / Balance sheet total - advances received	7.4 %	8.3 %

SIGNATURES OF BOARD OF DIRECTORS' AND FINANCIAL STATEMENTS

Helsinki, Finland, February 9, 2023

QPR Software Plc
Board of Directors

Pertti Ervi
Chairman of the Board

Matti Heikkonen
Board member

Antti Koskela
Board member

Jukka Tapaninen
Board member

Jussi Vasama
Chief Executive Officer

AUDITOR'S NOTE

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

Helsinki, Finland, March 2, 2023

KPMG Oy Ab
Authorized Public Accountants

Mika Karkulahti
Authorized Public Accountant

DEFINITION OF KEY INDICATORS

Return on equity (ROE), %:

Result for the period x 100
/
Shareholders' equity (average)

Return on investment (ROI), %:

(Result before taxes + interest and other financial expenses) x 100
/
Balance sheet total - non-interest bearing liabilities (average)

Equity ratio, %:

Total equity x 100
/
Balance sheet total - advances received

Gearing:

Interest-bearing liabilities - cash and cash equivalents

Gearing, %:

(Interest-bearing liabilities - cash and cash equivalents) x 100
/
Total equity

Earnings per share, euro:

Result for period
/
Weighted average number of shares outstanding during the year

Equity per share, euro:

Equity attributable to shareholders of the parent company
/
Number of shares outstanding at the end of the year

Dividend per share, euro:

Total dividend paid
/
Number of shares outstanding at the end of the year

Dividend per Result, %:

Dividend per share x 100
/
Earnings per share

Effective dividend yield, %:

Dividend per share x 100
/
Share price at the end of the year

Price/earnings ratio (P/E):

Share price at the end of the year
/
Earnings per share

Market capitalization:

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

Turnover of shares, % of all shares:

Number of shares traded x 100
/
Average number of shares outstanding during the year

Alternative key figures

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

Auditor's Report

TO THE ANNUAL GENERAL MEETING OF QPR SOFTWARE PLC

Report of the Audit of the Financial Statements

Opinion

We have audited the financial statements of QPR Software Plc (business identity code 0832693-7) for the year ended 31 December, 2022. The financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

— the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU

— the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

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

Basis for Opinion

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

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

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

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

Materiality

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

Key Audit Matters

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

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

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Group's liquidity and financing arrangements (refer to Accounting policies for the consolidated financial statements, subsequent events and notes 25 and 30 to the consolidated financial statements)	
— The financial statements have been prepared according to a Going Concern -principle considering the efficiency improvement measures, operating forecast as well as the re-financing agreement the company made in January 2023. — The Group has generated losses in recent years, cash flow from operating activities has been negative and liquidity tight. The Group has initiated the efficiency improvement measures to strengthen its financial position, create a more sustainable cost structure, and secure liquidity. — Current liabilities at the end of December 2022 amounts in total EUR 6.3 million. In accordance with note 30, the financial liabilities falling due within next 12 months totaled EUR 2.2 million, containing revolving credit facility EUR 1.5 million falling due in 2023. After the reporting period company entered into a new financing agreement of EUR 1.5 million, which replaces and refinances the loan falling due.	Our audit procedures included, among others: — To assess the sufficiency of financing we have analyzed the business plans and cash flow estimates prepared by the company — We inspected the financing arrangements carried out during the financial year 2022 and subsequent to financial statements date December 31, 2022. — As a part of our year-end audit procedures, we assessed the accuracy of classification of financial liabilities, and considered the adequacy and appropriateness of the disclosures provided on the financial status in the consolidated financial statements. .

Valuation of capitalised product development costs and valuation of goodwill (Refer to Accounting principles for the consolidated financial statements and notes 9, 10, 14 and 15)

— Group companies develop software and consulting service products to be used by their customers. The development expenditures are capitalized in the consolidated financial balance sheet to the extent that they meet the capitalization criteria set out in the relevant accounting standard (IAS 38) and are assessed to contribute future economic benefits. The assessment may change even in a rather short term, e.g as a result of technical development.

— The total product development costs capitalized in the financial year amounted to EUR 1.3 million. The capitalized product development costs are amortized over four years on a straight-line basis. The capitalized product development costs at the year-end 2022 amounts to EUR 2.4 million, of which EUR 0.4 million were unfinished product development projects. Capitalized product development costs represent 489 percent of the consolidated equity.

— Goodwill amounts to EUR 0.4 million at te end of December 31, 2022 and represents 74 percent of the consolidated equity.

— Goodwill and capitalized product development costs are tested at least annually for impairment.

— Management makes several estimates of assumptions used in the impairment calculations. The future cash flow projections require management judgement in regard e.g sales growth, profitability, terminal growth and discount rates applied.

— Due to the significant carrying amount and management judgment involved in determining recoverable amounts and useful lifetime, the valuation of capitalized product development costs is one of the key areas that our audit is focused on.

Our audit procedures included, among others:

— We have assessed the appropriateness of the capitalization process and the amortization period of development expenditures and considered whether the development costs capitalized during the year had met the capitalization criteria under the relevant accounting standard.

— We have assessed the appropriateness of the impairment test carried out for the goodwill in the consolidated financial statements.

— Our audit procedures on the impairment testing included, among others, the following: We have evaluated the future cash flow estimates for future financial periods and the key assumptions used in the impairment tests, such as sales growth, profitability and terminal growth.

— Furthermore, we considered the adequacy and appropriateness of the Group's notes in respect of goodwill, testing calculations and intangible assets.

Revenue recognition and valuation of trade receivables - Refer to Accounting principles for the consolidated financial statements and notes 2,3 and 20

— The consolidated net sales consist of software license sales, software maintenance services, cloud (SaaS) services and consulting services. Revenue is recognized when (or as) the control of the service is transferred to the customer, which may be over time or at a point in time.

— Application of revenue recognition principles requires management judgement especially in identifying separate performance obligations, determining stand-alone selling price as well as in analyzing terms and conditions of the contract to determine the appropriate timing to recognize revenue.

— The revenue recognition principles and their consistent application have a significant impact on the net sales and profitability as reported by QPR Software Plc. Therefore, the revenue recognition is one of the key areas that our audit is focused on.

— Trade receivables were in total EUR 2.8 million as at December 31, 2022 representing a significant part of the balance sheet. Regardless the fact that there are no significant credit losses incurred in the past, there may be valuation risk associated with trade receivables. Due to the significance of the carrying amount of the trade receivables, the valuation and monitoring of trade receivables is one of the key areas that our audit is focused on.

Our audit procedures included, among others:

— We evaluated the revenue recognition principles by reference to applicable financial reporting standards and contract terms.

— Our audit procedures included testing of key controls designed to ensure the completeness and accuracy of net sales.

— We completed detailed testing procedures over revenue contracts that we selected based on size, timing and complexity. In respect of selected contracts, we assessed the identification of performance obligations, tested the accuracy of invoicing and compared revenue transactions recorded with contractual terms and traced them to supporting evidence of delivery.

— We evaluated the monitoring routines for trade receivables and tested the effectiveness of the key internal controls. We also analyzed the trade receivables and compared the receivables to the confirmation letters received from the selected third parties. We also followed up the payments received after year-end 2022 in respect of selected trade receivables.

— In addition, we assessed the adequacy and accuracy of disclosures related to revenue recognition and trade receivables in the consolidated financial statements.

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

— Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

— Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement

We have been the auditors appointed by the Annual General Meeting since 2006, and our appointment represents a total period of uninterrupted engagement of 17 years.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

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

Helsinki, March 2 2023

KPMG OY AB

MIIKA KARKULAHTI
Authorized Public Accountant, KHT

INFORMATION FOR SHAREHOLDERS THE SHARE OF QPR SOFTWARE PLC

ANNUAL GENERAL MEETING

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

Trading code
QPR1V

ISIN code
FI0009008668

The Annual General Meeting will be held on May 3, 2023 starting at 2.30 p.m. at the Company's headquarters Huopalahdentie 24, 00350 Helsinki, Finland.

A shareholder of the Company that has been entered into the Company's shareholders' register maintained by Euroclear Finland Ltd on April 20, 2023 has the right to participate in the General Meeting.

The shareholder willing to participate in the Annual General Meeting shall inform the Company of the participation on April 27, 2023, at 10.00 a.m. at the latest, on the Company's website www.qpr.com, in writing to the address Innovatics Oy, Yhtiökokous / QPR Software Oyj, Ratamestarinkatu 13 A, 00520 Helsinki, or by email to the address agm@innovatics.fi.

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

A holder of nominee registered shares has the right to participate in the Annual General Meeting by virtue of such shares, based on which he/she on the record date of the Annual General Meeting, i.e. on May 3, 2023, and would be entitled to be registered in the shareholders' register of the Company held by Euroclear Finland Ltd. The right to participate in the Annual General Meeting requires, in addition, that the shareholder on the basis of such shares has been registered into the temporary shareholders' register held by Euroclear Finland Ltd at the latest by April 27, 2023 by 10:00 a.m. (Finnish time). As regards nominee registered shares this constitutes due registration for the Annual General Meeting.

A holder of nominee registered shares is advised to request without delay all necessary instructions regarding the temporary registration in the shareholder's register of the Company, the issuing of proxy documents and registration for the Annual General Meeting from his/her custodian bank. The account management organization of the custodian bank must register a holder of nominee registered shares, who wants to participate in the Annual General Meeting, into the temporary shareholders' register of the Company at the latest by April 27, 2023 by 10:00 a.m. (Finnish time), as mentioned above.

CHANGES OF ADDRESSES

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

FINANCIAL INFORMATION IN 2023

QPR will publish three interim reports in 2023:

• Interim report January–March 2023 on Wednesday 3 May 2023

• Half-year financial report January-June 2023 on Friday 21 July 2023

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

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

CONTACT INFORMATION

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