# QPR SOFTWARE PLC
# ANNUAL REPORT 2017

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QPR Software Plc (Nasdaq Helsinki) provides solutions for strategy execution, performance and process management, process mining, and enterprise architecture in over 50 countries. Users of QPR Software gain the insight they need for informed decisions that make a difference.

QPR SOFTWARE – DARE TO IMPROVE

# Year 2017 - Key Events

Q1

- QPR and a leading European energy company signed an agreement for process mining software QPR ProcessAnalyzer. The licensing contract also includes a turn-key delivery of QPR's process intelligence solution for selected business processes.
- QPR announced that it will deliver process mining software, QPR ProcessAnalyzer, to a leading high-tech company. In addition, the contract also includes professional services for implementing QPR's process mining solution for selected processes. This customer case is presented in detail on page 6 of this Annual Report.
- QPR and a leading telecommunications company signed an agreement that consists of software licenses for QPR ProcessAnalyzer, implementation and consulting services for developing a process mining solution for selected business processes.

Q2

- QPR was listed as a Representative Vendor in the June 2017 Gartner Market Guide for Enterprise Business Process Analysis (EBPA). This Guide lists 22 representative vendors offering solutions within this market.

Q3

- QPR published a new common user interface for all its products, that improves the user experience significantly.

Q4

- QPR announced that the City of Vantaa has chosen QPR Software as the preferred provider of enterprise architecture consulting services.
- QPR announced that one of the largest ministries of the Kingdom of Saudi Arabia has chosen QPR Software to automate its strategy execution and performance management. The solution will be implemented with QPR Metrics and includes, among other things, automated performance dashboards cascaded throughout the organization, as well as customized reports and workflows.
- The Finnish Ministry of Finance ordered consulting services from QPR to support the national digital transformation program. The program is part of the country-wide health, social services and regional government reform.
- QPR and a leading Nordic logistics company agreed on delivering process mining software QPR ProcessAnalyzer.

# Mission, Strategy and Markets

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

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

We innovate, develop and sell software aimed at analyzing, monitoring and modeling organizational operations. We also offer customers a variety of consulting services for operational development planning and execution.

Our product development is designed to solve the increasing challenges faced by organizations in leading their operations in a rapidly digitalizing world. Our focus areas are process mining, process analytics and strategic corporate performance management. We believe that the relevant market for these focus areas will grow significantly, as companies collect more and more transaction and other event data from their operations.

We aim to accelerate our product development by increasing our resources in a controlled manner. Our target is to gain a significant share of the rapidly growing process mining and analytics market. In software development, we have placed renewed focus on a great user experience.

We are seeking to specifically grow our international software sales over the next few years. To reach this target, we are increasing our resources and operations in marketing and sales this year. QPR´s reseller channel will continue to play a strategic role in the international sales and distribution of QPR´s modeling and performance management products. QPR´s international direct sales will focus on the process mining and analytics product.

## Our Offering

We offer our customers innovative and efficient tools for modeling and measuring all layers and dimensions of operations, from automatically discovering and monitoring any processes based on actual event data, to analyzing causes of potential performance problems. This provides customers insight into their operations – enabling them to streamline and improve business operations and to execute their strategies swiftly and effectively.

In our home market Finland, we sell and deliver software and provide consulting services mostly directly to our customers.

In process and enterprise architecture modeling software, we are the local market leader with approximately 50% market share.

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

In international markets, we work through our own direct sales as well as an extensive reseller network in software sales, extending to over 50 countries.

For our resellers we offer, in addition to software sales commissions, an attractive opportunity to significantly grow their consulting business in their respective market. With our innovative offering, they gain the opportunity to stand out from competition, which is using traditional methodologies and tools.

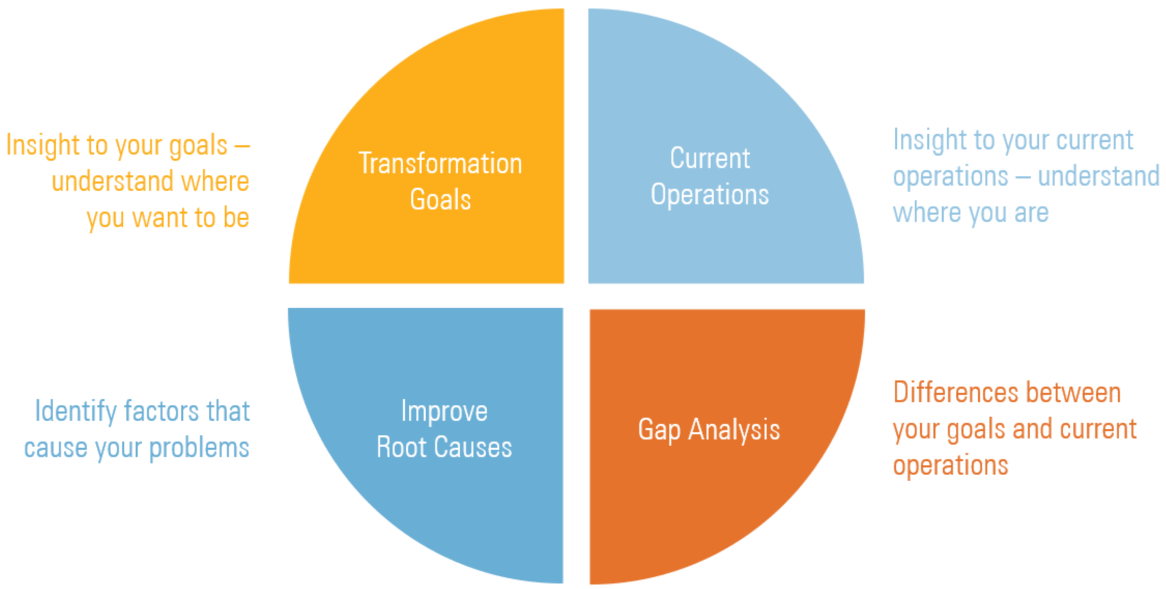
## Our Markets

The Process mining and analytics market is in an early phase of its life cycle. According to market research companies, the size of this global software market in 2017 was approximately EUR 40 million, and it grew rapidly. We estimate that rapid growth will continue in the coming years.

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

The Strategic corporate performance management software market is mature and growing moderately. The size of this software market is estimated at over EUR 300 million.

# Customer Benefits




QPR helps customers to improve business operations. Businesses and organizations face challenges from digital transformations in artificial intelligence and machine learning. Our customers' demands are particularly related to operational efficiency, a first class customer experience and customer journey, and meeting the requirements set by the changing and growing legislation. To tackle these challenges, organizations need well-defined, systematic and harmonized processes. These processes offer a competitive advantage for those who can analyze data collected from their operations.

QPR tools help organizations to reach their objectives, whether it is about major business transformation or continuous smaller-step business improvements. QPR tools give a shared understanding of business goals and the current state of operations. This shared understanding act as a platform for better business decisions, aligned efforts and a "dare to improve" attitude.

Solution areas based on our software include process mining and analytics, quality management, Lean, risk management, process and enterprise architecture, performance management, Balanced Scorecard as well as strategy execution planning and monitoring.

Our customers work with us and use our software to gain significant benefits. We are happy and proud to say co-operation with QPR Software helps our customers to harmonize and develop processes, deploy best practices, reduce rework, increase customer satisfaction, compare operations through several dimensions, such as region, team, or unit, and communicate development targets and needs throughout the whole organization.

The following cases represent some of the significant success stories published in 2017.


## Case Nokia: Intelligent Business Transformation with Process Mining

After acquiring Alcatel-Lucent, Nokia had an imminent need to develop and harmonize processes. They had recognized that they would need to use data in this work in order to acquire a fact-based understanding of where to find biggest improvement potential. To tackle the challenges, Nokia implemented a data-driven process improvement solution with QPR Software. The solution included QPR ProcessAnalyzer software with Connectors and QPR Consultancy Services.

Nokia achieved undeniable benefits with data-driven process analysis. Using data to create an exact description of the as-is processes is much more efficient and less time consuming than using traditional modeling methods. In addition to the benefits in visualizing processes, Nokia also improved business process lead times in Order-to-Cash and Purchase-to-Pay processes using QPR ProcessAnalyzer. Another important achievement was harmonization of Nokia and Alcatel-Lucent processes to achieve a uniform customer experience, economies of scale and business synergies.

The achieved benefits and process performance are continuously measured and communicated through the whole organization with QPR ProcessAnalyzer. In this way, among other benefits, rework is reduced.

*"The Visualization of the Processes is a great tool for communicating the needed changes to the process stakeholders. Showing the actual happenings clarifies the needs for process improvements and makes the points of improvement clear. QPR ProcessAnalyzer is truly a gamechanger for process improvement."*

*Fauzia Khan, Business Process Manager – Nokia*


## Case Kemira: Improving Order-to-Cash Performance with QPR ProcessAnalyzer

The main goal for Kemira in using QPR ProcessAnalyzer was to get an overview of the whole Order-to-Cash process and the events occurring in it. One of the key questions Kemira found an answer to in their process data was the lead time between different processes and the possible factors that might have been causing delays in providing timely and efficient service.

Using QPR ProcessAnalyzer, the company and their process specialists were able to see each region separately. By using profiling analysis, the company can analyze the exact process data from the regions they operate in. QPR ProcessAnalyzer enables Kemira to make its processes more responsive and optimize lead times between events, improving customer satisfaction.

*"We were able to identify which process to focus our efforts on using QPR ProcessAnalyzer. The solution gave us a great way to communicate the process flow and the gaps that were found during the analysis to our regional teams."*

*Capucine Azé, Specialist, SD & SCM Processes – Kemira*

# Review by the CEO

As defined in our strategy we seek to grow our software revenue in the coming years. To reach this goal we started to increase our product development resources a bit over a year ago targeting them mainly to our process mining and analytics software, which was created as a result of our recent innovations. In 2017, thanks to the increase in resources, we continued to strengthen our competitiveness. This has materialized as increased software sales from autumn 2017 onwards.

In addition to business and process analysis, modeling, and measuring, our software is used in supporting business operations and content management. This requires our software to be able to offer an excellent user experience. During the past year, we launched a new user interface shared by all our products. This increased the level of user experience significantly.

After the investments to strengthen our product competitiveness, in the future we will focus more and more on increasing our actions and resources in marketing and sales. I expect the increased trend in software license sales to continue, even though the license sales during individual quarters will vary. Variation is especially affected by large software license deals. The significance of process mining and analytics to all organizations continues to grow. I expect the growth in process mining software sales to accelerate during 2018.

I would like to highlight some of our most successful and significant customer cases from 2017.

We delivered process mining and analysis software to Nokia as well as to a leading European telecom operator. These customers want to make sure they are prioritizing and targeting their investments correctly before launching automation and robotics initiatives and programs. To tackle this challenge, data-driven process analysis is an excellent solution.

In performance management we made several significant deals in the Middle East. Followed by the successes last year, in January we were selected as a software provider for the Saudi Railway Company. The solution to be delivered also includes quality and risk management.

In Finland we expanded our service, acquired by the Ministry of Finance, in public sector enterprise architecture modeling. This SaaS solution is used by nearly 1,000 modelers in public sector organizations. Demand for our operational development consulting in the public sector also grew significantly. Some of the inspiring successes in the private sector included several software solutions and consulting service programs supporting quality management and harmonization, which were delivered to large stock listed companies.

I would like to thank all our customers, partners, personnel and shareholders for their excellent collaboration in 2017.

**Jari Jaakkola**
CEO of QPR Software

# Board of Directors

QPR Board of Directors held 14 meetings in 2017 (12). The average attendance at meetings was 98.5% (90). The Board did not establish any committees. The Board of Directors made a self-assessment of its activities. In 2017, the Chairman of the Board and Board members received an annual emolument of EUR 25,230 and EUR 16,820, respectively. No separate meeting attendance fees were paid.

The Annual General Meeting held on March 28, 2017 elected the following five (5) members to the Board of Directors.

## Vesa-Pekka Leskinen

**b. 1950**
**Chairman of the Board since January 2006**
**Member of the Board since July 2003**
**Independent of the Company**

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

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

Mr. Leskinen holds a degree in MAT.

Vesa-Pekka Leskinen held 851,400 shares of QPR Software Plc on December 31, 2017. Kauppamainos Oy, whose majority shareholder Mr. Leskinen is, held 475,170 shares of QPR Software Plc on December 31, 2017.

## Kirsi Eräkangas

**b. 1965**
**Member of the Board since March 2012**
**Independent of the Company and its significant shareholders**

Ms. Kirsi Eräkangas is a private investor and the owner of Nomadi Oy, an investment and business development company co-operating with several IT start-ups.

Ms. Eräkangas is one of the co-founders of the publicly listed software company Basware Corporation. Basware is the global leader in providing purchase to pay and e-invoicing solutions. Ms. Eräkangas had a central role in developing Basware's business and she held several executive positions over the years of 1988 – 2005, with her latest position entrusting her to oversee Basware's professional services globally. She was also Basware's Board member between the years of 1993 – 2008, lastly serving as the Vice Chairman.

Ms. Eräkangas is a member of the Board at Benemen Finance Oy. Earlier in her professional career, she has also been a member of the Board of Directors at Biocomputing Platforms Ltd (2007 – 2010 and 2014), Finpro ry (2007 – 2013), Oy Free Drop Innovations Ltd (2013 – 2015), Nuuka Solutions Oy (2014 – 2016), Softability Oy (2006 – 2008), TLD Registry Limited (Chairman of the Board 2014 – 2016), Vahanen International Oy (2014 – 2015); as well as a member of the Board (2007–2012) and Chairman of the Board (2008 – 2010) at Nervogrid Oy. Ms. Eräkangas was also a member of the Board at Nobultec Ltd in 2008 and later the Chairman of Nobultec's Board (2009 – 2011), a company acquired by QPR Software in 2011.

Ms. Eräkangas is a member of the Finnish Association of Professional Board Members. Her educational background includes an M.Sc. degree in economics and an executive MBA.

Kirsi Eräkangas held 7,000 shares of QPR Software Plc on December 31, 2017.

## Juha Häkämies

**b. 1970**
**Member of the Board since March 2017**
**Independent of the Company and its significant shareholders**

Mr. Juha Häkämies is the Vice President (VP) Strategy at Gasum Ltd. He is responsible for the company's strategy development, digitalization, R&D, M&A and HSEQ (Health, Safety, Environment and Quality). He is also a member of Gasum Ltd's Executive Management Team.

Previously Mr. Häkämies worked for Clear Funding Ltd in the United Kingdom as the Chief Development Officer in 2015 and 2016. From 2007 to 2009, he was a partner (SVP, Sales & Business Management) at Basware E-invoices and thereafter the VP of Basware's Business Development and M&A between the years of 2009 and 2015. From 2005 to 2006, Mr. Häkämies worked as the VP of Business Development at SysOpen Digia (now Digia Oyj) overseeing telecom sales and service operations. From 1994 to 2005, he served in several positions at Sonera and later at TeliaSonera, including VP at TeliaSonera International, CTO at Zed for Business (currently part of Sonera), and Development Director of Sonera's consumer and corporate internet services. In 2004, Mr. Häkämies founded MobileCheck Oy, a company specialized in analyzing and developing telecom service providers' service offerings.

Mr. Häkämies has successfully carried out several mergers and acquisitions, analyzed and digitalized business operations, built service strategies; and transformed an international software business into service business.

Mr. Häkämies holds a licentiate degree in technology, with a special focus on computer science and telecommunications. He is an alumnus of the Helsinki University of Technology, now part of Aalto University.

Juha Häkämies did not hold shares of QPR Software Plc on December 31, 2017.

## Topi Piela

**b. 1962**
**Member of the Board since March 2012**
**Independent of the Company**

Mr. Topi Piela is the CEO of Balance Capital Oy, deputy CEO of Umo Capital Oy and a member of the Finnish Association of Professional Board Members. Mr. Piela is a member of the Board of Directors of Asuntosalkku Suomi Oy, Foilchat Oy and JJPPPT Holding Oy. He is also a member of the State Pension Fund's (KELA) investment committee, the Finnish Broadcasting Company's (YLE) pension fund investment committee, and the Alfred Kordelin Foundation's financial committee.

Earlier in his career, Mr. Piela served as the Managing Director at Finvest Oyj and Amanda Capital Plc, after which he joined the Board of Directors at Amanda, serving as a member and Chairman of the Board. Mr. Piela has also held many other senior management positions, such as Investment Director at Ilmarinen Mutual Pension Insurance Company, Managing Director and co-founder of Arctos Rahasto Oy, Securities and Investment Director at Ålandsbanken Ab, and Board member at several other Finnish companies. Mr. Piela first served as QPR Software's Board member during the years of 2006 – 2009.

Mr. Piela has an M.Sc. degree in economics and holds certifications in CEFA and the Finnish Advanced Insurance Examination.

Topi Piela held 1,052 shares of QPR Software Plc on December 31, 2017. Umo Capital Oy, whose Deputy CEO Mr. Piela is, held 1,660,000 shares of QPR Software Plc on December 31, 2017.

## Taina Sipilä

**b. 1978**
**Member of the Board since March 2017**
**Independent of the Company and its significant shareholders**

Ms. Taina Sipilä is the CEO, founder, and Board member of Dear Lucy Oy. Dear Lucy provides its customers a global business management dashboard as a Software-as-a-Service for CEOs, Board members, directors, teams, personnel, and investors to track key performance indicators and key events in real time.

Ms. Sipilä is also one of the founders of Sympa Oy. She has worked as the company's CEO from 2005 to 2011, and as the Growth Director and Chairman of the Board between 2011 and 2016, where her responsibilities included, among others, ramping up the company's international business. Currently Ms. Sipilä is a member of Sympa's Board of Directors. Sympa offers its customers global HR and HR development solutions as a Software-as-a-Service. The service has users in over 50 countries.

Ms. Sipilä holds an M.Sc. degree in marketing from the University of Vaasa.

Taina Sipilä did not hold shares of QPR Software Plc on December 31, 2017.

# Executive Management Team

## Jari Jaakkola

**b. 1961**
**Chief Executive Officer since January 2008**
**Member of the Executive Management Team since August 2006**

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

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

Jari Jaakkola held 241,000 shares of QPR Software Plc on December 31, 2017. Value FM Ltd, a company fully owned by Mr. Jaakkola, held 7,000 shares of QPR Software Plc on December 31, 2017.

## Tero Aspinen

**b. 1985**
**Vice President, Middle East and Performance Management since January 2017**
**Member of the Executive Management Team since January 2017**

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

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

Mr. Aspinen holds a master's degree in industrial engineering and management.

Tero Aspinen did not hold shares of QPR Software Plc on December 31, 2017.

## Matti Erkheikki

**b. 1978**
**Senior Vice President, Process Mining and Strategy Management since January 2017**
**Member of the Executive Management Team since July 2007**

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

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

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

Matti Erkheikki did not hold shares of QPR Software Plc on December 31, 2017. His spouse held 2,000 shares of QPR Software Plc on December 31, 2017.

## Jaana Mattila

**b. 1966**
**Chief Financial Officer since June 2015**
**Member of the Executive Management Team since June 2015**

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

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

Ms. Mattila holds an M.Sc. degree in economics.

Jaana Mattila did not hold shares of QPR Software Plc on December 31, 2017.

## Miika Nurminen

**b. 1969**
**Senior Vice President, Operational Development since June 2015**
**Member of the Executive Management Team since January 2015**

Mr. Miika Nurminen is responsible for Operational Development Business, including consulting and software, in Finland and internal ICT.

Mr. Nurminen has been employed by QPR since 1999. From 1999 to 2008 he worked as a consultant and senior consultant, as the head of QPR customer care and ICT; and as a senior product manager. In years 2000 and 2001, he worked as a consultant at QPR's then US office in Minneapolis. From 2008 to 2009 he held the position of Director of product development, from 2009 to 2010 Director of business process management products and from 2011 to 2014, the head of enterprise architecture solutions. Prior to QPR, Mr. Nurminen held positions, among others, at Planway Oy as an application specialist and founding partner, and at ICL Data Finland Ltd as a software engineer.

Mr. Nurminen holds a master's degree in business information technology.

Miika Nurminen did not hold shares of QPR Software Plc on December 31, 2017.

## Jaakko Riihinen

**b. 1958**
**Senior Vice President, Products & Technology since August 2012**
**Member of the Executive Management Team since June 2012**

Mr. Jaakko Riihinen is responsible for QPR's software product portfolio, product strategy, product management and product development.

He has more than 30 years of experience in the ICT business. Before joining QPR Software, he worked at Nokia Siemens Networks as the Head of Research & Development in the OSS Business Line as well as in the company's restructuring program. Prior to this, between the years of 2001 – 2008, he worked as the Director of Enterprise Architecture at Nokia and Nokia Siemens Networks. Mr. Riihinen held several managerial positions at Nokia during 1992 – 2001 and served as the CEO at AmbraSoft Finland Ltd from 1987 – 1992.

Mr. Riihinen has a bachelor's degree in engineering from Aalto University School of Science and Technology.

Jaakko Riihinen held 30,000 shares of QPR Software Plc on December 31, 2017.

# Report of the Board of Directors

## Summary for the full year 2017

- Net sales EUR 8,484 thousand (2016: 8,634).
- Net sales decreased by 2% due to a decline of 7% in consulting sales as compared to previous year.
- Operating profit was EUR 432 thousand (761), representing 5.1% of net sales (8.8). Increased expenses were mainly due to personnel costs that were higher than previous year.
- Profit before taxes EUR 393 thousand (710).
- Profit for the year EUR 247 thousand (568).
- Earnings per share EUR 0.021 (0.047).
- The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.03 be paid to shareholders for the financial year 2017 (0.03).

## Business operations

QPR Software focuses on providing software and professional services to organizations for operational development. Our software and services are used in over 50 countries. The Company offers its customers insight to their business operations through modeling, analysis and performance monitoring.

QPR Software's business operations consist of software and consulting services sales. QPR Software reports one operating segment: Operational development of organizations. In addition to this, the Company reports revenue from products and services as follows: Software license sales, Software maintenance services, Software rentals, and Consulting. Software rentals and Software maintenance services together form the recurring revenue reported by the Company. Recurring revenue is based on long-term contracts continuing for the time being or for a fixed period of several years. Typically, rental and maintenance charges are invoiced annually in advance.

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

## Net sales

Net sales for 2017 were EUR 8,484 thousand (8,634), resulting in a decrease of 2%. This was caused by a decline in consulting sales. Software net sales grew slightly.

Software license net sales grew by 26% from previous year and amounted to EUR 1,663 thousand (1,316). Growth was particularly strong in modeling software licence sales. The vast majority of software license net sales were derived from international markets.

Software maintenance services and software rental net sales decreased compared to previous year. The decrease in software rental net sales was mainly related to the fact that during the past year, sales efforts focused more on software license sales. Net sales in software rental and maintenance were also negatively affected by increased competition in some of QPR's major software markets, which resulted in higher customer churn. In addition, exchange rate fluctuations had a negative impact, especially on net sales from software maintenance services. The share of recurring revenue was 49% (51) of total net sales.

Consulting net sales decreased by 7%, which was mainly caused by a significant decline in technical consulting. Net sales from process mining and operational development consulting grew.

As for the Group's net sales, 68% (65) were derived from Finland, 20% (20) from the rest of Europe (including Russia and Turkey) and 12% (15) from the rest of the world.

### Net sales by product

| EUR in thousands | 2017 | 2016 | Change, % |
|---|---|---|---|
| Software licenses | 1,663 | 1,316 | *26* |
| Software maintenance services | 2,602 | 2,776 | *-6* |
| Software rentals | 1,538 | 1,670 | *-8* |
| Consulting | 2,680 | 2,872 | *-7* |
| **Total** | **8,484** | **8,634** | ***-2*** |

### Net sales by geographic area

| EUR in thousands | 2017 | 2016 | Change, % |
|---|---|---|---|
| Finland | 5,757 | 5,634 | *2* |
| Europe, including Russia and Turkey | 1,689 | 1,748 | *-3* |
| Rest of the world | 1,037 | 1,252 | *-17* |
| **Total** | **8,484** | **8,634** | ***-2*** |

# Financial performance

## Operating profit

The Group operating profit decreased from the previous year and was EUR 432 thousand (761), representing 5.1% of net sales (8.8). Costs grew as planned due to increased investment in product development and marketing resources. Further investments were also made in the Company's new software products.

The Group's fixed costs were EUR 7,916 thousand (7,472) in the reporting period and they increased by 6% year-on-year. Personnel costs represented 72% (72) of fixed costs, equaling to EUR 5,682 thousand (5,362).

## Other items in the comprehensive income statement

Profit before taxes was EUR 393 thousand (710), and profit for the period was EUR 247 thousand (568).

Taxes recorded for the period amount to EUR 146 thousand (142). Taxes increased from previous year as compensation for withholding tax was less than in the previous year. Also, foreign group companies' tax finalizations from previous years increased taxes.

Earnings per share (fully diluted) were EUR 0.021 (0.047).

# Finance and investments

Cash flow from operating activities in 2017 was EUR 984 thousand (1,419). A weak fourth quarter cash flow was mainly caused by a change in the invoicing process, whereby a large share of next year's continuos software rentals were invoiced after the turn of the year. Cash and cash equivalents at the end of the financial year were EUR 318 thousand (565).

Investments in the financial year were EUR 872 thousand (698) and consisted mainly of product development related expenses.

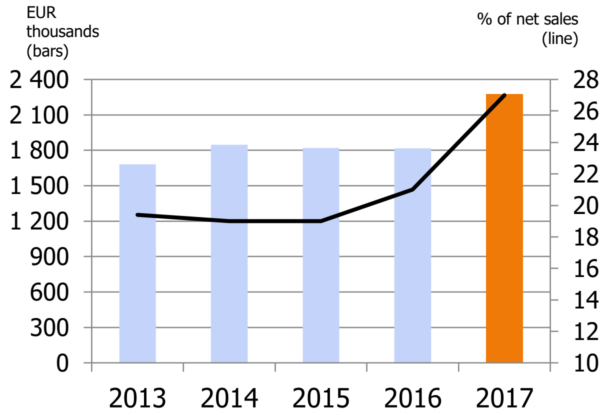
Net financial expenses were EUR 38 thousand (51). Financial items included foreign exchange currency losses (net) of EUR 43 thousand (40). At the end of the financial year, the Company did not have any interest-bearing liabilities. The gearing ratio was -10% (-17). Current liabilities included deferred revenues, which in total amount to EUR 1,198 thousand (852). Annualized return on investment was 14% (25) in the financial year.

At the end of the financial year, equity ratio was 56% (46) and the consolidated shareholders' equity was EUR 3,132 thousand (3,252). Annualized return on equity was 8% (18) for the financial year.

## Product development

QPR develops software and consulting service products to be used by its customers. Software product development costs in the reporting period of January – December were approximately 99% (94) of all product development costs. The Company published new versions of all of its software products in the reporting period. By developing its consulting service products, the Company aims to grow its local business in Finland, and to accelerate its international software sales by offering complementary service concepts and solutions to its software reseller partners.

Product development expenditure

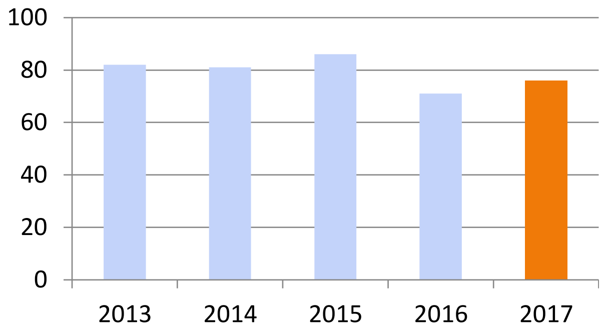



In the reporting period, product development expenses were EUR 2,274 thousand (1,818), representing 27% of net sales (21). The increase in product development expenses (+25%) reflect the significant investments made in process mining and analytics software, as well as the development of a new user interface for all our products. Product development expenses do not include amortization of capitalized product development expenses. Product development expenses worth EUR 792 thousand (621) were capitalized. The amortization of capitalized product development expenses during the year was EUR 694 thousand (569).

## Personnel

At the end of the reporting period, the Group employed a total of 76 persons (63). The average number of personnel in 2017 was 76 (71).

Average number of personnel




For incentive purposes, the Company has a bonus program that covers all employees. Remuneration of the top management consists of salary, fringe benefits and a possible annual bonus based mainly on net sales development. In 2017, the maximum annual bonus for members of the executive management team, including the CEO, was 30% of the annual base salary. A bonus totaling EUR 19 thousand (10) is paid to the executive management team for 2017. More information on incentive plans can be found on the investors section of the Company´s web site (www.qpr.com → investors → corporate governance → operational management).

## Share capital, shareholders and shares

The Company's share capital at the end of the year was EUR 1,359,089.93 divided into 12,444,863 shares.

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

At the end of the year, the Company had a total of 1,246 shareholders (1,171). During the year, trading in the Company's shares amounted to EUR 2,463 thousand (971), i.e. an average of EUR 9,814 per trading day (3,838).

Trading in shares totaled 1,552,104 shares (901,526), giving an average of 6,184 shares per trading day (3,563). Turnover in shares corresponds to 12.9% of the total shares

## Major shareholders of QPR Software Plc, December 31, 2017

| Registered shareholders | Number of shares | % of shares and votes |
|---|---|---|
| Pelkonen, Jouko Antero: | 1,708,000 | 13.72 |
| Pohjolan Rahoitus Oy | 1,700,000 | 13.66 |
| Pelkonen, Jouko Antero | 8,000 | 0.06 |
| Umo Capital Oy | 1,660,000 | 13.34 |
| Leskinen, Vesa-Pekka: | 1,326,570 | 10.66 |
| Leskinen, Vesa-Pekka | 851,400 | 6.84 |
| Kauppamainos Oy | 475,170 | 3.82 |
| Ac Invest Oy | 1,245,817 | 10.01 |
| Lamy Oy | 553,249 | 4.45 |
| Junkkonen, Kari Juhani | 512,016 | 4.11 |
| QPR Software Oyj | 457,009 | 3.67 |
| Piekkola, Asko | 316,438 | 2.54 |
| Oy Fincorp Ab | 256,855 | 2.06 |
| Laakso, Janne Juhani | 250,000 | 2.01 |
| Jaakkola, Jari Vesa: | 248,000 | 1.99 |
| Jaakkola, Jari Vesa | 241,000 | 1.94 |
| Value Fm Oy | 7,000 | 0.06 |
| Leskinen, Veli-Mikko | 232,530 | 1.87 |
| Becker, Kai-Erik Wilhelm | 130,000 | 1.04 |
| Sijoitusrahasto Nordea Suomi Small Cap | 125,863 | 1.01 |
| Puttonen, Vesa | 109,763 | 0.88 |
| Lehto, Teemu Samuli | 92,500 | 0.74 |
| Kempe, Anna | 57,635 | 0.46 |
| Hirvilammi, Hannu Esa | 50,000 | 0.40 |
| Kanninen, Matti Juhani | 49,839 | 0.40 |
| Hinkka Markku Juhani | 38,270 | 0.31 |
| **20 largest, total** | **9,420,354** | **75.70** |
| Other shareholders | 3,024,509 | 24.30 |
| **TOTAL** | **12,444,863** | **100.00** |

outstanding (7.5) and the average price was EUR 1.59 per share (1.08). The highest closing price during the year was EUR 1.91 (1.26) and the lowest EUR 1.17 (0.97).

At the end of the year, the total market value of the Company shares outstanding was EUR 20,499 thousand (14,385) at the closing price of EUR 1.71.

## Own shares

In 2017, the Company did not repurchase any own shares in the public trading of Nasdaq Helsinki (0).

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

The Annual General Meeting on March 28, 2017 authorized the Board of Directors to decide on issuing a maximum of 4,000,000 new shares and to decide on conveyance of a maximum of 700,000 own shares held by the Company. The authorizations are in force until the next Annual General Meeting. For the time being, the Company has not used these authorizations.

### Shareholding by insiders, December 31, 2017

| Name and position | Number of shares | By controlled entities | By closely related persons*) | Stock options |
|---|---|---|---|---|
| Vesa-Pekka Leskinen, Chairman of the Board | 851,400 | 475,170 | 0 | 0 |
| Kirsi Eräkangas, Member of the Board | 7,000 | 0 | 0 | 0 |
| Juha Häkämies, Member of the Board | 0 | 0 | 0 | 0 |
| Topi Piela, Member of the Board | 1,052 | 0 | 0 | 0 |
| Taina Sipilä, Member of the Board | 0 | 0 | 0 | 0 |
| Kirsi Jantunen, Principal Auditor | 0 | 0 | 0 | 0 |
| Jari Jaakkola, Chief Executive Officer | 241,000 | 7,000 | 0 | 0 |
| Insiders by definition: | | | | |
| Tero Aspinen, VP, Executive Management Team | 0 | 0 | 0 | 0 |
| Matti Erkheikki, SVP, Executive Management Team | 0 | 0 | 2,000 | 0 |
| Jaana Mattila, CFO, Executive Management Team | 0 | 0 | 0 | 0 |
| Miika Nurminen, SVP, Executive Management Team | 0 | 0 | | 0 |
| Jaakko Riihinen, SVP, Executive Management Team | 30,000 | 0 | 0 | 0 |

*) Shares held by spouses and persons under guardianship.

## Governance

QPR Software Plc's corporate governance practices comply with Finnish laws and regulations, the Company's Articles of Association, the rules of Nasdaq Helsinki Oy and the Finnish Corporate Governance Code 2015 issued by the Securities Market Association of Finland. The Company has issued a separate Corporate Governance Statement for 2017.

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

Further information such as administration of the insider register, list of major shareholders, articles of association, charter of the Board, description of how internal control and internal audit are organized, introductions of the members of the Board and Executive Management Team, summary of the QPR Software Disclosure Policy, and the information published by the Company during the financial year is also available in the investor section.

## Decisions made by the Annual General Meeting

The Annual General Meeting held on March 28, 2017 made the following resolutions:

The Annual General Meeting approved the Company's financial statements and the Group's financial statements for the financial year 2016 and discharged the members of the Board of Directors and the CEO from liability.

The Annual General Meeting approved the Board's proposal that a per-share dividend of EUR 0.03, a total of EUR 360 thousand, be paid for the financial year 2016. The dividend was paid to shareholders entered in the Company's shareholder register, maintained by Euroclear Finland Oy, on the record date of 30 March, 2017. The dividend payment date was April 7, 2017.

The Annual General Meeting (AGM) on March 28, 2017 resolved that the Board of Directors consists of five (5) ordinary members.

The AGM re-elected the following members to the Board of Directors: Kirsi Eräkangas, Vesa-Pekka Leskinen and Topi Piela. As new members of the Company´s Board of Directors the Annual General Meeting elected Juha Häkämies and Taina Sipilä. In its organizing meeting following the AGM, the Board of Directors elected Vesa-Pekka Leskinen as its Chairman. The term of office of the members of

### Distribution of shareholding by size, December 31, 2017

| Number of shares | Shareholders: Number | % | Shares and votes, total: Number | % |
|---|---|---|---|---|
| 1 - 500 | 720 | 57.8 | 120,143 | 1.0 |
| 501 – 1,000 | 216 | 17.3 | 179,155 | 1.4 |
| 1,001 – 5,000 | 222 | 17.8 | 515,418 | 4.1 |
| 5,001 – 10,000 | 32 | 2.6 | 241,236 | 1.9 |
| 10,001 – 50,000 | 36 | 2.9 | 758,356 | 6.1 |
| 50,001 – 100,000 | 3 | 0.2 | 207,787 | 1.7 |
| 100,001 -1,700,000 | 17 | 1.4 | 10,422,768 | 83.8 |
| **Total** | **1,246** | **100.0** | **12,444,863** | **100.0** |
| of which nominee-registered | | | 1,381,114 | 11.1 |

### Distribution of shareholding by sector, December 31, 2017

| Sector | Shareholders: Number | % | Shares and votes, total: Number | % |
|---|---|---|---|---|
| Private companies | 42 | 3.4 | 5,904,326 | 47.4 |
| Financial and insurance institutions | 6 | 0.5 | 2,045,862 | 16.4 |
| Households | 1,179 | 94.6 | 4,466,324 | 35.9 |
| Non-proft organizations | 1 | 0.1 | 1 | 0.0 |
| Foreign | 0 | 0.0 | 0 | 0.0 |
| European Union | 17 | 1.4 | 24,350 | 0.2 |
| Other countries | 1 | 0.1 | 4,000 | 0.0 |
| **Total** | **1,246** | **100.0** | **12,444,863** | **100.0** |
| of which nominee-registered | | | 1,381,114 | 11.1 |

the Board of Directors expires at the end of the next Annual General Meeting.

The Annual General Meeting re-elected Authorized Public Accountants KPMG Oy Ab as QPR Software's auditor with Kirsi Jantunen, Authorized Public Accountant, acting as principal auditor. The term of office of the auditor expires at the end of the next Annual General Meeting.

The AGM decided to keep the Board members' emoluments unchanged. The Chairman of the Board receives an annual emolument in total of EUR 25,230 and other members of the Board receive an annual emolument in total of EUR 16,820 each.

All authorizations of the Board and other decisions made by the AGM are available on the stock exchange release published by the Company on March 28, 2017 and available on the investors section of the Company's web site (www.qpr.com → investors → annual general meetings).

## Management and auditors

As of January 1, 2017, the Executive Management Team (EMT) of QPR Software Plc consisted of Chief Executive Officer Jari Jaakkola (chairman), VP Middle East business and performance management solutions Tero Aspinen, SVP Process Mining and Strategy Management business Matti Erkheikki, Chief Financial Officer Jaana Mattila, SVP Operational Development business Miika Nurminen, and SVP Products and Technology Jaakko Riihinen.

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

## Shares held by the Board and CEO

The members of QPR Software Plc's Board of Directors, the Chief Executive Officer, and persons or entities closely related to them, held a total of 1,592,622 Company shares on December 31, 2017, representing 12.8% of the total number of shares and votes (December 31, 2016: 12.8). The amounts include own holdings, holdings of spouses, persons under guardianship, and controlled entities.

## Authorizations of the Board of Directors

The Annual General Meeting on March 28, 2017 decided to authorize the Board of Directors to decide on an issue of new shares and conveyance of the own shares held by the Company (share issue) either on one or several occasions. The share issue can be carried out as a share issue against payment or without consideration on terms to be determined by the Board of Directors.

The authorization also includes the right to issue special rights, in the meaning of Chapter 10, Section 1 of the Companies Act, which entitle to the Company's new shares or the Company's own shares held by the Company against consideration.

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

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

The conditions of all authorizations of the Board of Directors decided by the Annual General Meeting are available in their entirety on the stock exchange release published by the Company on March 28, 2017, which is available on the investors section of the company's web site (www.qpr.com → investors → annual general meetings).

## Internal control

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

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

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

## Risk management

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

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

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

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

Property, operational and liability risks are covered by insurance.

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

## Risks related to business operations

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

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

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

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

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

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

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

## Risks related to information and products

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

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

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

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

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

**Data security.** Data security risks are related to the confidentiality of corporate, insider and customer information. Risk is managed by ongoing internal training, keeping instructions up-to-date at all times, and by good technical protection of the Company's data network.

In 2017, the Company performed a data protection audit, aimed at ensuring that it complies to European Union General Data Protection Regulation (GDPR) requirements, that are generally applied for compliance in May 2018. The Regulation includes principles for personal data processing, legality of processing and obligations as well as responsibilities (including contracts) set to data controllers and processors.

No significant changes have taken place in QPR's information and product related risks during 2017.

## Risks related to financing

QPR Software has identified the following two financing risks:

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

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

The risks related to financial position of the company are mitigated by relatively high share of recurring revenue in net sales. Management of financial risks in 2017 is described in more detail in Note 27.

# Legal disputes

As QPR has reported earlier, it initiated an arbitration process in summer 2016 due to a customer's decision to dissolve a contract, which QPR regarded unjustified. This arbitration process was completed in May 2017. The arbitration court resolved to sentence the defendant to compensate the entire value of the violated contract to QPR. The arbitration court dismissed the customer's counterclaim.

In 2016 and 2017, the Company did not have any other legal disputes.

# Other events after the reporting period

In January 2018, the Company announced that Saudi Railway Company (SAR), a leading transportation company from Kingdom of Saudi Arabia, had chosen QPR Software to automate its strategy and performance management. The solution also includes quality and risk management.

In February 2018, the Company announced that it will deliver process mining software to a global medical device company's European Business unit.

In February 2018, the Company announced that Piraeus Bank, the largest bank in Greece, chose QPR as its process mining and process performance monitoring solution provider.

In February 2018 it was also announced, that a large central government organization from Abu Dhabi has chosen QPR Software to automate its performance management and strategy execution.

# Outlook

## Operating environment and market outlook

In recent years, QPR Software has invested heavily in developing the company´s new process mining software, as well as renewing all user interfaces of its software products. The company estimates that the demand for process mining software and related services will continue to grow in 2018. Growth focus is on Europe, even though the demand for process mining software in large organizations is growing strongly also outside Europe. Due to the current early market stage, country specific differences in demand will continue to be significant.

In developed markets, competition in software business for process and enterprise architecture modeling and performance management is expected to remain strong. The company still sees growth potential for these products in emerging markets.

## Outlook for 2018

The Company estimates that its net sales will grow in 2018. The growth in net sales will be driven by software business, in particular the process mining software QPR ProcessAnalyzer. Consulting services net sales are also expected to grow from previous year.

In the course of 2018, QPR will invest more in its growing business segments and is planning to increase its resources, especially in international sales and marketing. Despite the increase in costs, the company estimates that its comparable operating profit will improve from previous year.

## The Board of Directors´ proposal on dividend

The distributable funds of the parent company were EUR 1,368 thousand at December 31, 2017. The Board of Directors proposes to the Annual General Meeting on April 12, 2018 that a dividend of EUR 0.03 per share be paid to shareholders for the financial year 2017, totaling EUR 360 thousand. The dividend shall be paid to a shareholder that has been entered into the Company's shareholder register on the record date of the dividend payment on April 16, 2018. The Board of Directors proposes to the AGM that the dividend be paid on April 23, 2018.

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

The Board of Directors' proposals to the Annual General Meeting are available in their entirety in the February 15, 2018 published Notice to the Annual General Meeting, available on the Company's web site (www.qpr.com → investors → annual general meetings).

# Financial Statements

## Consolidated Comprehensive Income Statement, IFRS

| (EUR 1,000) | Note | **2017** | 2016 |
|---|---|---|---|
| **Net sales** | 3 | **8,484** | **8,634** |
| Other operating income | 4 | 18 | 18 |
| | | | |
| Materials and services | 6 | 154 | 419 |
| Employee benefit expenses | 7 | 5,682 | 5,362 |
| Depreciation and amortization | 8 | 913 | 866 |
| Other operating expenses | 9 | 1,320 | 1,243 |
| Total expenses | | 8,070 | 7,891 |
| | | | |
| **Operating profit** | | **432** | **761** |
| | | | |
| Financial income | 10 | 10 | -4 |
| Financial expenses | 10 | -48 | -47 |
| Financial items, net | | -38 | -51 |
| | | | |
| **Profit before tax** | | **393** | **710** |
| | | | |
| Income taxes | 12 | -146 | -142 |
| | | | |
| **Profit for the year** | | **247** | **568** |
| | | | |
| **Other items in comprehensive income that may be reclassified subsequently to profit or loss:** | | | |
| Exchange differences on translating foreign operations | | -7 | 9 |
| **Other items in comprehensive income, net of tax** | | **-7** | **9** |
| | | | |
| **Total comprehensive income** | | **240** | **577** |
| | | | |
| Earnings per share, EUR | | | |
| Undiluted, euros | 13 | 0.021 | 0.047 |
| Diluted, euros | 13 | 0.021 | 0.047 |

# Consolidated Balance Sheet, IFRS

| (EUR 1,000) | Note | **2017** | 2016 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Capitalized product development expenses | 14 | 1,778 | 1,747 |
| Other intangible assets | 14 | 174 | 208 |
| Goodwill | 15 | 513 | 513 |
| Tangible assets | 16 | 153 | 193 |
| Other investments | | 5 | 5 |
| Deferred tax assets | 19 | 122 | 23 |
| **Total non-current assets** | | 2,745 | 2,688 |
| **Current assets** | | | |
| Trade and other receivables | 20 | 3,744 | 4,619 |
| Cash and cash equivalents | 21 | 318 | 565 |
| **Total current assets** | | 4,061 | 5,184 |
| **Total assets** | | **6,807** | **7,871** |
| | | | |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | 22 | 1,359 | 1,359 |
| Other funds | | 21 | 21 |
| Treasury shares | | -439 | -439 |
| Translation difference | | -240 | -233 |
| Invested non-restricted equity fund | | 5 | 5 |
| Retained earnings | | 2,426 | 2,538 |
| **Equity attributable to shareholders of the parent company** | | **3,132** | **3,251** |
| **Current liabilities** | | | |
| Trade and other payables | 24 | 3,675 | 4,619 |
| **Total current liabilities** | | **3,675** | **4,619** |
| **Total liabilities** | | **3,675** | **4,619** |
| **Total equity and liabilities** | | **6,807** | **7,871** |

## Consolidated Cash Flow Statement, IFRS

| (EUR 1 000) | Note | **2017** | 2016 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Profit for the period | | 247 | 568 |
| Adjustments for the profit | | | |
| Depreciation | | 913 | 866 |
| Other adjustments | 25 | 177 | 204 |
| Changes in working capital: | | 0 | |
| Increase (-)/decrease (+) in short-term non-interest bearing receivables | | 845 | -110 |
| Increase (+)/decrease (-) in short-term non-interest bearing liabilities | | -1,044 | 1 |
| Interest expense and other financial expenses paid | | -37 | -47 |
| Interest income and other financial income received | | 10 | 5 |
| Income taxes paid | | -128 | -66 |
| **Net cash from operating activities** | | **984** | **1,419** |
| | | | |
| **Cash flows from investing activities** | | | |
| Purchases of tangible assets | | -75 | -39 |
| Capitalized development expenses | | -792 | -636 |
| Other investments in intangible assets | | -5 | -23 |
| **Net cash used in investing activities** | | **-872** | **-698** |
| | | | |
| **Cash flow from financing activities** | | | |
| Proceeds from short term borrowings | 23 | - | -500 |
| Dividends paid | 22 | -360 | -240 |
| **Net cash used in financing activities** | | **-360** | **-740** |
| | | | |
| **Net change in cash and cash equivalents** | | **-247** | **-19** |
| | | | |
| **Cash and cash equivalents at the beginning of year** | | **565** | **585** |
| **Effect of exchange rate differences** | | **0** | **-1** |
| **Cash and cash equivalents at the end of year** | 21 | **318** | **565** |

# Parent Company Income Statement, FAS

| (EUR) | Note | **2017** | 2016 |
|---|---|---|---|
| **Net sales** | 3 | **7,951,970** | **8,384,275** |
| Other operating income | 4 | 569,153 | 70,168 |
| | | | |
| Material and services | 6 | 2,322,836 | 404,076 |
| Employee benefits expenses | 7 | 3,991,708 | 5,349,497 |
| Depreciation and amortization | 8 | 415,088 | 932,012 |
| Other operating expenses | 9 | 1,702,801 | 1,269,232 |
| Total expenses | | 8,432,433 | 7,954,817 |
| | | | |
| **Operating profit** | | **88,690** | **499,626** |
| | | | |
| Financial income and expense | 10 | 1,316,134 | -61,150 |
| | | | |
| **Profit before appropriations and taxes** | | **1,404,824** | **438,477** |
| | | | |
| Appropriations | | | |
| Group contribution | 11 | -200,000 | 0 |
| | | | |
| **Profit before taxes** | | **1,204,824** | **438,477** |
| | | | |
| Income taxes | 12 | -145,218 | -115,822 |
| | | | |
| **Profit for the period** | | **1,059,606** | **322,655** |

# Parent Company Balance Sheet, FAS

| (EUR) | Note | **2017** | 2016 |
|---|---|---|---|
| **ASSETS** | | | |
| | | | |
| **Non-current assets** | | | |
| Intangible assets | 14 | 405,478 | 757,330 |
| Tangible assets | 16 | 153,435 | 192,641 |
| Investments in group companies | 17 | 3,581,152 | 3,525,244 |
| Other investments | 17 | 4,562 | 4,562 |
| | | 4,144,627 | 4,479,778 |
| **Current assets** | | | |
| Long-term receivables | 18 | 200,000 | 100,000 |
| Short-term receivables | 20 | 3,413,446 | 4,743,543 |
| Cash and cash equivalents | 21 | 192,080 | 519,444 |
| | | 3,805,525 | 5,362,987 |
| | | | |
| **Total assets** | | **7,950,152** | **9,842,765** |
| | | | |
| **SHAREHOLDERS' EQUITY AND LIABILITIES** | | | |
| | | | |
| **Shareholders' equity** | | | |
| Share capital | 22 | 1,359,090 | 1,359,090 |
| Invested non-restricted equity fund | | 5,347 | 5,347 |
| Retained earnings | | 861,277 | 898,188 |
| Treasury shares | | -439,307 | -439,307 |
| Profit for the period | | 1,059,606 | 322,655 |
| **Total shareholders' equity** | | **2,846,013** | **2,145,973** |
| | | | |
| **Liabilities** | | | |
| Current liabilities | 24 | 5,104,139 | 7,696,792 |
| | | | |
| **Total liabilities** | | **5,104,139** | **7,696,792** |
| | | | |
| **Total shareholders' equity and liabilities** | | **7,950,152** | **9,842,765** |

# Parent Company Cash Flow Statement, FAS

| (EUR) | **2017** | 2016 |
|---|---|---|
| **Cash flow from operating activities** | | |
| Operating profit | 88,690 | 499,626 |
| Adjustment for the period: | | |
| Depreciation and amortization | 415,088 | 932,012 |
| Non-cash transactions | - | -58,357 |
| Financial items, net | -28,636 | -30,880 |
| Income taxes paid | -124,253 | -70,631 |
| Net cash before changes in working capital | 350,889 | 1,271,770 |
| | | |
| Changes in working capital | | |
| Change in short-term receivables, non-interest bearing | 944,748 | 431 |
| Change in short-term liabilities, non-interest bearing | -1,104,685 | -20,305 |
| Change in working capital | -159,937 | -19,874 |
| | | |
| **Net cash from operating activities** | **190,951** | **1,251,896** |
| | | |
| **Cash flows from investing activities** | | |
| Purchases of intangible assets | -5,214 | -659,116 |
| Purchases of tangible assets | -74,723 | -39,165 |
| Investments in subsidiary loans granted | 264,385 | 77,317 |
| Investments in subsidiary loans receivable | -343,197 | 88,410 |
| **Net cash used in investing activities** | **-158,749** | **-532,554** |
| | | |
| **Cash flows from financing activities** | | |
| Proceeds from short term borrowings | | |
| Repayments of short term borrowings | - | -500,000 |
| Dividends paid | -359,566 | -239,687 |
| **Net cash used in financing activities** | **-359,566** | **-739,687** |
| | | |
| **Net change in cash and cash equivalents** | **-327,364** | **-20,345** |
| | | |
| **Cash and cash equivalents at the beginning of the year** | **519,444** | **539,789** |
| **Cash and cash equivalents at the end of the year** | **192,080** | **519,444** |

# Statement of Changes in Equity

## Consolidated statement of changes in equity, IFRS

| (EUR 1,000) | Share capital | Other funds | Translation differences | Treasury shares | Invested non-restr. equity fund | Retained earnings | Equity attributable to share-holders of the parent company |
|---|---|---|---|---|---|---|---|
| **Equity Jan 1, 2016** | 1,359 | 21 | -242 | -439 | 5 | 2,210 | 2,914 |
| Dividends paid | | | | | | -240 | -240 |
| Comprehensive income | | | 9 | | | 568 | 577 |
| **Equity Dec 31, 2016** | 1,359 | 21 | -233 | -439 | 5 | 2,538 | 3,252 |
| Dividends paid | | | | | | -360 | -360 |
| Comprehensive income | | | -7 | | | 247 | 240 |
| **Equity Dec 31, 2017** | 1,359 | 21 | -240 | -439 | 5 | 2,426 | 3,132 |

## Parent company statement of changes in shareholders´ equity, FAS

| | Restricted equity | | Non-restricted equity | | | | |
|---|---|---|---|---|---|---|---|
| (EUR) | Number of shares | Share capital | Treasury shares | Invested non-restr. equity fund | Retained earnings | Total | Share-holders' equity, total |
| **Equity Jan 1, 2016** | 12,444,863 | 1,359,090 | -439,307 | 5,347 | 1,137,875 | 703,915 | 2,063,005 |
| Dividends paid | | | | | -239,687 | -239,687 | -239,687 |
| Profit for the year | | | | | 322,655 | 322,655 | 322,655 |
| **Equity Dec 31, 2016** | 12,444,863 | 1,359,090 | -439,307 | 5,347 | 1,220,843 | 786,883 | 2,145,973 |
| Dividends paid | | | | | -359,566 | -359,566 | -359,566 |
| Comprehensive income | | | | | 1,059,606 | 1,059,606 | 1,059,606 |
| **Equity Dec 31, 2017** | 12,444,863 | 1,359,090 | -439,307 | 5,347 | 1,920,883 | 1,486,923 | 2,846,013 |

# Notes to Financial Statements

## Company information

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

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

The Board of Directors of QPR Software Plc has approved on February 14, 2018 the Financial Statements for publication. Shareholders have the right to approve or reject the Financial Statements in the Annual General Meeting. The Financial Statements may also be revised by the Annual General Meeting.

## Accounting principles

### Basic of preparation

QPR Software Plc's Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards (IRFS), taking into account IAS and IFRS standards, as well as SIC and IFRIC interpretations, valid as of December 31, 2017. In the Finnish accounting legislation, International Financial Reporting Standards refer to standards and interpretations accepted to be followed in the European Union in accordance with the EU Regulation number 1606/2002.

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

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

### New and amended standards and interpretations adopted in 2017

Starting from January 1, 2017, the Group has applied the following new and revised standards and interpretations. These changes have not materially influenced the consolidated financial statements.

- **Amendments to IAS 7 Disclosure Initiative (effective for financial years beginning on or after 1 January 2017).** The changes were made to enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments have an impact on the disclosures in the consolidated financial statements.

- **Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses (effective for financial years beginning on or after 1 January 2017).** The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.

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

### Consolidation principles

The Consolidated Financial Statements include the parent company QPR Software Plc and the subsidiaries controlled by it. With regard to subsidiaries, the parent company's control is based on full ownership of the share capital or a majority holding. The Company did not own shares in joint ventures or associated companies in 2017 and 2016.

Subsidiaries acquired during the financial period are consolidated from the date when the control over subsidiary is obtained, and divestments are included up to the date when the control is lost. Intragroup shareholdings are eliminated using the acquisition cost method. Intercompany business transactions, receivables and liabilities, unrealized profits, and the intragroup profit distribution are eliminated in the Consolidated Financial Statements. The profit for the financial year applicable to non-controlling interests is presented separately in the consolidated comprehensive income statement, and the share of the non-controlling interest in shareholders' equity is presented separately in the consolidated balance sheet. The Group didn't have any non-controlling interests in subsidiaries in 2017 and 2016.

### Continuity of operations

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

### Foreign currency translation

The functional currency of subsidiaries is the local bookkeeping currency.

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

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

### Revenue recognition

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

Revenue recognition of product sales requires that there is a binding agreement of the sale, the product has been delivered, proceeds from the transaction can be reliably specified, economic benefit will arise to the Group with sufficient probability, and significant risks and rewards related to ownership or rights of the use of the product have been transferred to the buyer.

The consolidated net sales consist of software license sales, software maintenance fees, software rentals, and consulting services sales.

Software license net sales are recognized in connection with the delivery, when significant risks and rewards related to the ownership or rights of the use of the product have been transferred to the buyer.

Maintenance fee covering software updates and customer support is recognized on an accrual basis during the agreement period.

Software rentals, right to use software for the time being, are recognized on an accrual basis during the agreement period.

Net sales of fixed-term licenses are recognized partly in license net sales and partly in maintenance fees.

Net sales of consulting services are recognized during the period when the service has been performed, and when it is probable that economic benefit will arise to the Group and when the income and costs associated with the transaction can be reliably determined.

### Other operating income

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

### Pension plans

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

### Share-based payments

In years 2016 – 2017, the Group did not have share-based incentive plans for management.

### Operating profit

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

### Impairment

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

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

### Income taxes

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

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

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

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

### Intangible assets

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

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

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

### Tangible assets

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

Borrowing costs for assets taking a long time to complete are capitalized. Other borrowing costs are recognized as an expense for the period during which they arise. The Group didn't capitalize any borrowing costs in 2017 and 2016.

Useful lifetimes of tangible assets:

Machinery and equipment; 3-7 years

IT machinery and equipment; 2-5 years

### Lease agreements

Lease agreements of tangible assets where the Group has a substantial part of the risks and rewards of ownership are classified as finance leases. Finance lease agreements are recorded in the balance sheet as tangible fixed assets at the start of the lease term at the lower of the fair value of the leased property and the present value of the minimum lease payments. The asset acquired under a finance lease is depreciated over the shorter of the asset's useful life and the lease term. The corresponding rental obligations are included in interest-bearing financial liabilities. The Group did not have finance lease agreements during 2017 and 2016.

Lease agreements where the lessor retains a significant portion of the risks and rewards of ownership are treated as other leases. Payments made under other leases are charged to the comprehensive income statement on a straight-line basis over the period of the lease.

In the parent company financial statements, lease payments are recognized as annual expense in accordance with FAS.

### Financial assets and liabilities

Financial assets and liabilities are initially recognized at the value of the purchased or sold asset on the transaction date.

After initial valuation, financial assets are classified into four groups: financial assets at fair value through comprehensive income, held-to-maturity investments, financial assets available for sale, and loans and other receivables. At the end of 2017 and 2016, the Group did not have financial assets at fair value through comprehensive income, held-to-maturity investments, or financial assets available for sale. Transaction costs are included in the original carrying amount of the financial assets other than those measured at fair value through comprehensive income.

Financial liabilities are classified into financial liabilities at fair value through comprehensive income, and other financial liabilities (measured at amortized cost). At the end of 2017 and 2016, the Group did not have financial liabilities at fair value through comprehensive income. Transactions costs directly related to acquisition of other financial liabilities are included in the original carrying amount of the liability and are charged to interest expense using the effective interest method.

At each closing, management assesses whether the value of a financial instrument has been impaired and recognizes any impairment loss in financial items in the comprehensive income statement. Derecognition of financial assets from the balance sheet takes place when the Group has lost a contractual right to receive the cash flows or when it has transferred substantially all of the risks and rewards outside the Group. Financial liability (or part of it) is derecognized only when the liability ceases to exist, meaning that the contractual obligation has been fulfilled or removed, or when the contract is no longer valid.

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.

### Derivative contracts

Derivative contracts are classified as financial assets or liabilities available for sale. The Group does not apply hedge accounting under IAS 39. Changes in the fair value of derivative contracts are recognized in financial income and expenses in the comprehensive income statement. There were no derivative contracts during the financial year.

### Cash and cash equivalents

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

### Treasury shares

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

### Provisions

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

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

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

### Accounting principles that require manage-ment consideration, and essential factors of uncertainty related to management estimates

When preparing the financial statements, manage-ment is required to make estimates and assumptions regarding the future and to consider the appropriate application of accounting principles, which means that actual results may differ from those estimated. The most significant situations requiring management to use consideration and estimates are related to the following decisions:

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

### Adoption of new or revised IFRS standards

The Group has not yet adopted following published new or amended standards and interpretations. The Group will adopt them immediately after the standard or interpretation is effective or, when applicable, at the beginning of the next financial year. (* = The standard or interpretation has not yet been approved for adoption by the European Union.)

The Group is currently assessing the impact of these new or revised standards and interpretations on the Consolidated Financial Statements.

- **IFRS 15 Revenue from Contracts with Cus-tomers, Effective date of IFRS 15 and Clarifications to IFRS 15** (effective for financial years beginning on or after 1 January 2018): The new standard replaces current IAS 18 and IAS 11 -standards and related interpretations. In IFRS 15 a five-step model is applied to determine when to recognise revenue, and at what amount. Revenue is recognised when (or as) a company transfers control of goods or services to a customer either over time or at a point in time. The standard introduces also extensive new disclosure requirements. The Group has assessed the impacts of IFRS 15 as follows:

    - The essential concepts of IFRS to the Group are revenue recognition and principal versus agent considerations. The revenue streams include software licenses, software maintenance services, software rentals and consulting.

- The principal versus agent consideration has the most significant impact on net sales, and mainly on licenses and maintenance services. In accordance with the standards applied during the year 2017 the Group has applied the agent principle and recognized revenue from the sales to the resellers. In accordance with IFRS 15 QPR acts as a principal and records revenue from the sales of the resellers, which increases the Group net sales revenue and resales commission cost with the same amount. The standard change is estimated to increase 2017 net sales and agent commission by approximately one million euros. The change lowers relative profitability, but does not affect absolute profitability.

- In accordance with the standards applied during the year 2017 all the recurring revenue from long-term software rental agreements has been recognized over time. In accordance with IFRS 15 these are not recognized as rental revenue, but as license, maintenance and SaaS services. License part of the revenue is recognized at a point in time, in the beginning of the invoicing period. Maintenance part and SaaS services in totality, including license and maintenance, are recognized over time, evenly during the invoicing period. License revenue recognition change will lead to an earlier recognition of revenue, transferring net sales and profit of about 0.3 million euros to the first quarter of the year from the other quarters of the year 2017. Maintenance services part revenue recognition remains practically the same as currently.

- Standard change will impact grouping of revenue streams, so that new product groups are software licenses, renewable licenses, SaaS services, software maintenance and consulting. Recurring revenue includes renewable licenses, SaaS services and software maintenance.

- Standard will be applied on 1 January 2018. Transition method to be used is retrospective method with optional practical expedient. The Group will publish year 2017 comparative financials along with year 2018 financials.

- **IFRS 9 Financial Instruments** (effective for financial years beginning on or after 1 January 2018): IFRS 9 replaces the existing guidance in IAS 39. The new standard includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Group is currently assessing the impact of the standard.

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

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

- **IFRIC 22 Interpretation Foreign Currency Transactions and Advance Consideration*** (effective for financial years beginning on or after 1 January 2018). When foreign currency consideration is paid or received in advance of the item it relates to – which may be an asset, an expense or income – IAS 21 The Effects of Changes in Foreign Exchange Rates -standard is not clear on how to determine the transaction date for translating the related item. The interpretation clarifies that the transaction date is the date on which the company initially recognizes the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date.

- **IFRC certainty over Income Tax Treatments*** (effective for financial years beginning on or after 1 January 2019). The interpretation brings clarity to the accounting for income tax treatments that have yet to be accepted by tax authorities. The key test is whether the tax authority will accept the company's chosen tax treatment. When considering this the assumption is that tax authorities will have full knowledge of all relevant information in assessing a proposed tax treatment.

- **Amendments to IFRS 9: Prepayment Features with Negative Compensation*** (effective for financial years beginning on or after 1 January 2019). The amendments enable entities to measure at amortised cost some prepayable financial assets with so-called negative compensation.

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

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

## 2. Segment information

QPR Software reports one operating segment: Operational development of organizations. In addition to this, the Company reports revenue from products and services as follows: Software license sales, Software maintenance services, Software rentals, and Consulting. Software rentals and Software maintenance services together form the recurring revenue reported by the Company. Recurring revenue is based on long-term contracts continuing for the time being or for a fixed period of several years. Typically rental and maintenance charges are 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) | **2017** | 2016 |
|---|---|---|
| **Net sales by operating segment** | | |
| Operational development of organizations | 8,484 | 8,634 |
| **Total net sales** | **8,484** | **8,634** |

## 3. Net sales

**Net Sales by Product Group**

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

| | **Group, IFRS** (EUR 1,000) | | **Parent company, FAS** (EUR) | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| Software licenses | 1,663 | 1,316 | 1,315,966 | 1,255,333 |
| Software maintenance services | 2,602 | 2,776 | 2,482,435 | 2,497,251 |
| Software rentals | 1,538 | 1,670 | 1,490,168 | 1,622,380 |
| Consulting services | 2,680 | 2,872 | 2,663,401 | 3,009,311 |
| **Total net sales** | **8,848** | **8,634** | **7,951,970** | **8,384,275** |

**Net Sales by Geographic Area**

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

| | | | | |
|---|---|---|---|---|
| Finland | 5,757 | 5,634 | 5,757,323 | 5,633,515 |
| Other European countries, incl. Russia and Turkey | 1,689 | 1,748 | 1,364,787 | 1,679,781 |
| Countries outside Europe | 1,037 | 1,252 | 829,859 | 1,040,584 |
| Sales to Group companies | - | - | - | 30,395 |
| **Total net sales** | **8,848** | **8,634** | **7,951,970** | **8,384,275** |

## 4. Other operating income

| | Group, IFRS (EUR 1,000) | | Parent company, FAS (EUR 1 000) | |
|---|---|---|---|---|
| | **2017** | 2916 | **2017** | 2016 |
| Governments grants | 0 | 18 | 0 | 17,774 |
| Other items | 18 | 0 | 569,153 | 52,394 |
| **Total** | **18** | **18** | **569,153** | **70,168** |

Due to the group structural changes made in the end of year 2016 the parent company QPR Software Plc has during the year 2017 delivered more management and administrational services to the daughter companies than earlier. Thus, revenue from the management and administrational services have been reported within the other operating income, and not any more as deductions in the other expenses. A corresponding change has been done in the comparative figures of the year 2016.

## 5. Acquired business operations, parent company

No acquisitions were made in 2017 and 2016. At the end of the year 2016 the Group carried out corporate restructuring to simplify the business, as well as to protect the intellectual property rights. The parent company QPR Software Plc acquired direct ownership of shares of a group company QPR Software AB, acting as sales company, from subsidiary QPR Services Oy, as a share transaction.

The Group's software development business was transferred from the parent company QPR Software Plc to a subsidiary QPR Services Oy, where the Group's software development business and related intellectual property rights were centralized.

These changes had no impact on the consolidated financial statements.

## 6. Materials and services

| | Group, IFRS (EUR 1,000) | | Parent company, FAS (EUR) | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| Materials and services | 154 | 419 | 2,322,836 | 404,076 |

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 mainly group internal license purchases. As of the beginning of the year 2017 the parent company has bought resale rights of technology licenses from the daughter company, who is responsible for product development and ownership of the immaterial rights.

## 7. Employees and related parties

| | Group, IFRS (EUR 1 000) | | Parent company, FAS (EUR) | |
|---|---|---|---|---|
| Salaries | 4,673 | 4,345 | 3,289,901 | 4,335,231 |
| Pension expenses - defined contribution plans | 842 | 817 | 577,588 | 814,474 |
| Other personnel expenses | 167 | 201 | 124,220 | 199,792 |
| **Total** | **5,682** | **5,363** | **3,991,708** | **5,349,497** |
| | | | | |
| Average number of personnel during the year | 76 | 71 | 51 | 71 |

**Related parties**

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

The Group does not have any loans, commitments or guarantees granted to or received from related parties. The Group had no transactions with the related parties during fiscal years 2017 and 2016.

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**

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) | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| Salaries and other short-term benefits: | | | | |
| Members of the Board of Directors | 89 | 76 | 88,566 | 75,704 |
| Chief Executive Officer Jari Jaakkola | 205 | 196 | 205,013 | 195,569 |
| Executive Management Team | 515 | 499 | 515,089 | 499,396 |
| **Total** | **809** | **771** | **808,668** | **770,669** |

| | **Parent company, FAS** (EUR) | |
|---|---|---|
| | **2017** | 2016 |
| Board fees by member: | | |
| Leskinen Vesa-Pekka, Chairman of the Board | 25,232 | 25,232 |
| Eräkangas Kirsi | 16,824 | 16,824 |
| Häkämies Juha | 12,862 | 0 |
| Malmberg Juho | 3,962 | 16,824 |
| Piela Topi | 16,824 | 16,824 |
| Sipilä Taina | 12,862 | 0 |
| **Total** | **88,566** | **75,704** |

QPR Software Plc's Annual General meeting held on March 28, 2017 decided that the Chairman of the Board receives an annual emolument of EUR 25,230 and that other members of the Board receive an annual emolument of EUR 16,820 each. 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 37 thousand in 2017 (2016: EUR 35 thousand).

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

In 2017, the maximum annual bonus of Executive Management Team, including the CEO, was 30% of the annual base salary. The bonus system for both the CEO and the Executive Management Team was based mainly on development of the Group net sales, business unit net sales and new sales. For financial year 2017 about 19 thousand euros (2016: EUR 10 thousand) will be paid to the executive management team, including the CEO.

The Company does not have any stock option schemes.

## 8. Depreciation and amortization

| | Group, IFRS (EUR 1,000) | | Parent company, FAS (EUR) | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| Intangible assets | 799 | 746 | 301,158 | 811,194 |
| Tangible assets | | | | |
| Machinery and equipment | 114 | 121 | 113,930 | 120,817 |
| **Total** | **913** | **866** | **415,088** | **932,011** |

No write-downs of the assets have been made during 2016 and 2017.

## 9. Financial income and expenses

| | Group, IFRS (EUR 1,000) | | Parent company, FAS (EUR) | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| Non-statutory indirect employee costs | 244 | 223 | 230,013 | 233,064 |
| Expenses of office premises | 328 | 420 | 306,958 | 419,286 |
| Travel expenses | 156 | 169 | 144,695 | 168,915 |
| Marketing and other sales promotion | 192 | 137 | 191,526 | 137,219 |
| Computers and software | 258 | 241 | 242,776 | 240,924 |
| External services | 705 | 458 | 375,542 | 487,423 |
| Doubtful receivables and bad debts | 58 | 57 | 55,935 | 57,174 |
| Capitalized product development expenses | -792 | -634 | 0 | -633,876 |
| Other expenses | 171 | 172 | 155,355 | 169,102 |
| **Total** | **1,320** | **1,243** | **1,702,801** | **1,269,232** |

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

| | | | | |
|---|---|---|---|---|
| Auditing | 23 | 23 | 22,052 | 21,000 |
| Tax consulting | 8 | 23 | 8,288 | 23,357 |
| Other services | 19 | 9 | 19,290 | 8,967 |
| **Total** | **51** | **55** | **49,630** | **53,324** |

Non-audit services performed by statutory auditor KPMG Oy Ab in financial year 2017 amounted to 28 thousand euros.

The management and administrational service charges charged by the parent company to the daughter companies during the year 2017 have been reported within the other operating income, and not any more as deductions in the other expenses. A corresponding change has been done in the comparative figures of the year 2016.

**Product development expenses incurred during the year**

| | | | | |
|---|---|---|---|---|
| Expenses charged to income | 1,564 | 1,197 | 250,751 | 1,196,546 |
| Capitalized expenses | 710 | 621 | 0 | 621,408 |
| **Total** | **2,274** | **1,818** | **250,751** | **1,817,954** |

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

## 10. Financial income and expenses

| | Group, IFRS (EUR 1,000) | | Parent company, FAS (EUR) | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| Interest income from loans and other receivables | 6 | 1 | 11,228 | 2,711 |
| Interest expenses from loans | -3 | -3 | -9,569 | -7,814 |
| Other financial income and expenses | 1 | -9 | 1,250,957 | -979 |
| Exchange rate differences | -43 | -40 | 63,517 | -55,067 |
| **Total** | **-38** | **-51** | **1,316,134** | **-61,150** |
| | | | | |
| **Exchange rate differences in the income statement** | | | | |
| | | | | |
| Exchange rate differences included in net sales | 23 | 10 | 11,738 | 10,518 |
| Exchange rate differences included in expenses | 0 | 0 | 0 | 143 |
| Exchange rate gains in financial income | 2 | 0 | 795 | 7 |
| Exchange rate losses in financial expenses | -45 | -40 | 62,723 | -55,074 |
| **Total** | **-19** | **-30** | **75,255** | **-44,407** |

## 11. Appropriations

| | Group, IFRS (EUR 1,000) | | Parent company, FAS (EUR) | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| Group contributions granted | | | | |
| QPR Services Oy | - | - | 200,000 | - |
| **Total** | **-** | **-** | **200,000** | **-** |

## 12. Income tax expense

| | | | | |
|---|---|---|---|---|
| Taxes for the financial year | 90 | 126 | 14,000 | 94,542 |
| Taxes from previous years | 141 | 9 | 116,965 | 4,177 |
| Withholding tax | 14 | 17 | 14,253 | 17,103 |
| Deferred tax | -100 | -9 | - | - |
| **Total** | **146** | **142** | **145,218** | **115,822** |

Reconciliation between the tax expense recorded in the comprehensive income statement and the tax expense calculated at the Finnish tax rate (20% in 2017 and 2016):

| | Group, IFRS (EUR 1,000) | |
|---|---|---|
| | **2017** | 2016 |
| Profit before tax | 393 | 710 |
| | | |
| Tax expense calculated at the Finnish tax rate | 79 | 142 |
| Effect of different tax rates in foreign subsidiaries | -4 | -14 |
| Other items | 13 | -6 |
| Withholding tax | 14 | 17 |
| Non-deductible expenses | 44 | 3 |
| **Tax expense in the comprehensive income statement** | **146** | **142** |

## 13. Earnings per share

Earnings per share are calculated by dividing the profit for the period attributable to shareholders of the parent company by the weighted average number of shares outstanding.

| | Group, IFRS (EUR 1,000) | |
|---|---|---|
| | **2017** | 2016 |
| Profit for the period attributable to shareholders of the parent company (EUR thousand) | 247 | 568 |
| Number of shares outstanding (1,000 pcs) | 11,988 | 11,988 |
| Earnings per share (EUR/share) Undiluted and diluted | 0.021 | 0.047 |

The Group did not have any dilutive instruments in 2017 and 2016.

## 14. Intangible assets

| **Group** (EUR 1,000), IFRS | **Computer software** | **Other intangible assets** | **Capitalized product development** | **Total** |
|---|---|---|---|---|
| Acquisition cost Jan 1, 2016 | 1,028 | 2,506 | 3,815 | 7,349 |
| Accum. amortization and write-downs Jan 1, 2016 | -868 | -2,320 | -2,120 | -5,308 |
| **Book value Jan 1, 2016** | **160** | **187** | **1,695** | **2,041** |
| Increases | 21 | 2 | 636 | 659 |
| Amortization for the period | -63 | -114 | -569 | -746 |
| Acquisition cost Dec 31, 2016 | 1,049 | 2,508 | 4,451 | 8,008 |
| Accum. amortization and write-downs Dec 31, 2016 | -931 | -2,434 | -2,689 | -6,054 |
| **Book value Dec 31, 2016** | **118** | **75** | **1,762** | **1,955** |
| Increases, Transfers | 0 | 87 | 710 | 798 |
| Amortization for the period | -55 | -51 | -694 | -800 |
| Acquisition cost Dec 31, 2017 | 1,049 | 2,596 | 5,161 | 8,806 |
| Accum. amortization and write-downs Dec 31, 2017 | -986 | -2,485 | -3,383 | -6,854 |
| **Book value Dec 31, 2017** | **64** | **111** | **1,778** | **1,952** |

| **Parent company** (EUR), FAS | | | | |
|---|---|---|---|---|
| Acquisition cost Jan 1, 2016 | 1,004,412 | 1,463,169 | 3,815,244 | 6,282,825 |
| Accum. amortization and write-downs Jan 1, 2016 | -845,061 | -985,040 | -2,120,637 | -3,950,739 |
| **Book value Jan 1, 2016** | **159,350** | **478,129** | **1,694,607** | **2,332,086** |
| Increases | 21,072 | 2,400 | 91,344 | 114,816 |
| Amortization for the period | -62,525 | -179,807 | -568,862 | -811,193 |
| Amortization for the period, transferred in business transfer | 3,540 | | 492,688 | 496,228 |
| Changes in the accum. amortization and write-downs due to business transfer | -10,621 | 81,019 | -3,499,305 | -3,428,907 |
| Acquisition cost Dec 31, 2016 | 1,014,863 | 1,546,588 | 407,283 | 2,968,735 |
| Changes in the accum. amortization and write-downs | 5,605 | | 2,048,696 | 2,054,301 |
| Accum. amortization and write-downs Dec 31, 2016 | -898,441 | -1,164,847 | -148,115 | -2,211,404 |
| **Book value Dec 31, 2016** | **116,421** | **381,741** | **259,168** | **757,330** |
| Increases | 0 | 5,214 | 0 | 5,214 |
| Amortization for the period | -52,903 | -163,639 | -84,616 | -301,158 |
| Changes in the accum. amortization and write-downs due to business transfer | | | -55,908 | -55,908 |
| Acquisition cost Dec 31, 2017 | 1,014,863 | 1,551,802 | 351,376 | 2,918,043 |
| Accum. amortization and write-downs Dec 31, 2017 | -951,344 | -1,328,486 | -232,731 | -2,512,562 |
| **Book value Dec 31, 2017** | **63,518** | **223,316** | **118,645** | **405,479** |

Out of the product development costs activated by the parent company during the financial year 2016, an amount of 544 thousand euros were transferred to QPR Services Oy in the business transfer of December 31, 2016.

## 15. Goodwill

| **Group** (EUR 1,000) | **2017** | 2016 |
|---|---|---|
| Acquisition cost Jan 1 | 513 | 513 |
| Acquisition cost Dec 31 | 513 | 513 |
| Book value Dec 31 | 513 | 513 |

Goodwill has arisen from the acquisition of Nobultec Ltd in 2011 and has previously been allocated entirely to the cash-generating unit Nobultec Ltd. Now, following the merger it has been allocated to the Process Mining (former Process Intelligence) business unit.

Goodwill has been tested for impairment in the last quarter of 2017 and the discount rate used in impairment testing was 12.4% (2015: 8.5).

The recoverable amount evaluated in the impairment test is based on the 2018 budget and on subsequent development assessed on the basis of the budget. Key variables used in the calculations are the growth rates of net sales, expenses and EBITDA. The growth of net sales has been determined by taking into account the company's actual performance, market position and growth potential in its market.

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

Sales growth of the Process Intelligence business unit is broadly designed to be in line with the Company's strategy for the planning period. The recoverable amount based on cash flows for the next five years is about EUR 1,6 million.

If the annual net sales growth of the Process Intelligence business unit in the planning period were approximately -2%, it would constitute a situation in which there are indications of goodwill impairment. If the fair value of goodwill proved to be lower than the unit's book value in an impairment test, an impairment loss would be recorded as an expense in the income statement and would be allocated primarily to goodwill in the balance sheet.

## 16. Tangible assets

| **Group** (EUR 1,000), IFRS | **Machinery and equipment** |
|---|---:|
| **Book value Jan 1, 2016** | **274** |
| Increases | 39 |
| Depreciation for the period | -120 |
| Acquisition cost Dec 31, 2016 | 1,746 |
| Accum. depreciation and write-downs Dec 31, 2016 | -1,552 |
| **Book value Dec 31, 2016** | **193** |
| Increases | 75 |
| Depreciation for the period | -114 |
| Acquisition cost Dec 31, 2017 | 1,821 |
| Accum. depreciation and write-downs Dec 31, 2017 | 1,666 |
| **Book value Dec 31, 2017** | **154** |

| **Parent company** (EUR), FAS | |
|---|---:|
| **Book value Jan 1, 2016** | **274,294** |
| Increases | 39,165 |
| Depreciation for the period | -120,817 |
| Acquisition cost Dec 31, 2016 | 1,706,100 |
| Accum. depreciation and write-downs Dec 31, 2016 | -1,513,460 |
| **Book value Dec 31, 2016** | **192,642** |
| Increases | 74,723 |
| Depreciation for the period | -113,930 |
| Acquisition cost Dec 31, 2017 | 1,780,823 |
| Accum. depreciation and write-downs Dec 31, 2017 | -1,627,390 |
| **Book value Dec 31, 2017** | **153,434** |

## 17. Shares in subsidiaries and other entities

The parent company of the Group is QPR Software Plc.

| Subsidiaries | Domicile | Parent company 2017 | 2016 |
|---|---|---|---|
| Owned directly by the parent company: | | | |
| QPR CIS Oy, sales company | Helsinki, Finland | 100% | 100% |
| QPR Services Oy | Helsinki, Finland | 100% | 100% |
| QPR Software AB, sales company | Stockholm, Sweden | 100% | 100% |
| QPR Software Inc., sales company | San Jose, CA, USA | 100% | 100% |
| Owned indirectly by the parent company: | | | |
| OOO QPR Software, sales company | Moscow, Russia | 100% | 100% |

| Shares in subsidiaries | Parent company (EUR) 2017 | 2016 |
|---|---|---|
| Acquisition cost Jan 1 | 3,525,244 | 268,610 |
| Increases | 55,908 | 3,256,634 |
| Decreases | - | - |
| Acquisition cost Dec 31 | 3,581,152 | 3,525,244 |
| **Book value Dec 31** | **3,581,152** | **3 525 244** |
| | | |
| Other shares | | |
| Acquisition cost Jan 1 | 4,562 | 4,562 |
| Acquisition cost Dec 31 | 4,562 | 4,562 |
| **Book value Dec 31** | **4,562** | **4,562** |
| | | |
| **Total book value of shares Dec 31** | **3,585,714** | **3,529,806** |

## 18. Long-term receivables

| | Group, IFRS (EUR 1,000) 2017 | 2016 | Parent company, FAS (EUR) 2017 | 2016 |
|---|---|---|---|---|
| Receivables from the Group companies | - | - | 200,000 | 100,000 |

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

| | 2017 | 2016 |
|---|---|---|
| QPR CIS Oy | 200,000 | 100,000 |
| **Total** | **200,000** | **100,000** |

## 19. Deferred tax assets and liabilities

| | Group, IFRS (EUR 1,000) 2017 | 2016 | Parent company, FAS (EUR) 2017 | 2016 |
|---|---|---|---|---|
| Deferred tax assets, based on tax-loss carryforwards, have changed as follows: | | | | |
| Jan 1 | 23 | 23 | - | - |
| Recorded in comprehensive income | 100 | - | - | - |
| **Dec 31** | **122** | **23** | **-** | **-** |

The subsidiary in the United States, QPR Software Inc., has tax loss carryforwards after the official tax filings 2017 totaling approximately EUR 183 thousand, based on which EUR 23 thousand (23) has been recognized as a deferred tax asset.

Deferred tax liabilities arise from the allocation of Nobultec Ltd purchase price to customer relationships, and have changed as follows:

| | Group, IFRS (EUR 1,000) | |
|---|---|---|
| | **2017** | 2016 |
| Jan 1 | 0 | 9 |
| Recorded in comprehensive income | 0 | -9 |
| **Dec 31** | **0** | **0** |

## 20. Trade and other receivables

| | Group, IFRS (EUR 1,000) | | Parent company, FAS (EUR) | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| Trade receivables | 3,461 | 4,019 | 3,219,949 | 3,873,970 |
| Accrued income and prepaid expenses | 120 | 414 | 80,101 | 353,337 |
| Other receivables | 162 | 185 | 106,045 | 144,500 |
| Current receivables from Group companies | - | - | 7,351 | 371,736 |
| **Total** | **3,744** | **4,619** | **3,413,446** | **4,743,543** |
| Geographical breakdown of trade receivables: | | | | |
| Finland | 2,292 | 2,551 | 2,292,497 | 2,551,286 |
| Other European countries | 596 | 447 | 437,415 | 447,362 |
| Countries outside Europe | 572 | 1,021 | 490,036 | 875,322 |
| **Total** | **3,461** | **4,019** | **3,219,949** | **3,873,970** |

Currency breakdown of trade receivables:

| | Group, IFRS | | | |
|---|---|---|---|---|
| (EUR 1,000) | **2017** | **%** | 2016 | % |
| EUR (Euro) | 2,765 | 79.9 | 3,239 | 80.6 |
| USD (U.S. Dollar) | 297 | 8.6 | 377 | 9.4 |
| SEK (Swedish Krona) | 167 | 4.8 | 135 | 3.4 |
| ZAR (South African Rand) | 175 | 5.1 | 155 | 3.8 |
| JPY (Japanese Yen) | 19 | 0.5 | 36 | 0.9 |
| GBP (Pund Sterling) | 9 | 0.3 | 48 | 1.2 |
| RUB (Russian Ruble) | 30 | 0.9 | 30 | 0.7 |
| **Total** | **3,461** | **100.0** | **4,019** | **100.0** |
| Age analysis of trade receivables: | | | | |
| Not due | 2,897 | 83.7 | 3,248 | 80.8 |
| 0 - 90 days overdue | 315 | 9.1 | 590 | 14.7 |
| 90 - 180 days overdue | 99 | 2.9 | 131 | 3.3 |
| More than 180 days overdue | 150 | 4.3 | 51 | 1.3 |
| **Total** | **3,461** | **100.0** | **4,019** | **100.0** |

Fair value of trade receivables:

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

Credit losses:

Credit losses of EUR 58 thousand (57) on trade receivables have been recorded in comprehensive income.

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

| | Parent company, FAS (EUR) | |
|---|---|---|
| | **2017** | 2016 |
| Accrued income | 44,616 | 240,477 |
| Prepaid expenses | 112,825 | 112,861 |
| **Total** | **157,441** | **353,337** |

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

| | | |
|---|---|---|
| QPR CIS Oy | 7,351 | 117,876 |
| QPR Services Oy | 0 | 253,860 |
| **Total** | **7,351** | **371,736** |

## 21. Cash and cash equivalents

| | Group, IFRS (EUR 1,000) | | Parent company, FAS (EUR) | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| Bank accounts | 318 | 565 | 192,080 | 519,444 |
| **Total** | **318** | **565** | **192,080** | **519,444** |

## 22.Shareholders' equity

The Company has one series of shares and the maximum value of share capital is EUR 1,359 thousand. All the issued shares have been fully paid. Total amount of issued shares was 12,444,863 in 2017 and 2016.

**Other funds**

Includes the reserve fund in subsidiary QPR Software AB.

**Treasury shares**

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

**Capitalized product development costs**

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

**Calculation of the distributable funds**

| | Parent company, FAS (EUR) | |
|---|---|---|
| | **2017** | 2016 |
| Retained earnings | 1,220,843 | 1,137,875 |
| Profit for the period | 1,059,606 | 322,655 |
| Dividends paid | -359,566 | -239,687 |
| Treasury shares | -439,307 | -439,307 |
| Invested non-restricted equity fund | 5,347 | 5,347 |
| Activated product development expenses | -118,644 | -259,168 |
| **Distributable funds** | **1,368,279** | **527,715** |

## 23. Other non-current liabilities and interest-bearing loans

**Interest-bearing loans:**

The Group or the Parent company did not have interest-bearing loans outside the Group at the end of 2017 or 2016.

## 24. Trade payables and other liabilities

| | Group, IFRS (EUR 1,000) | | Parent company, FAS (EUR) | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| Trade payables | 84 | 169 | 62,329 | 169,444 |
| Accrued expenses and prepaid income | 1,857 | 3,033 | 1,483,772 | 2,787,736 |
| Advances received | 1,198 | 852 | 1,161,188 | 834,005 |
| Other liabilities | 536 | 565 | 408,658 | 564,149 |
| Current liabilities to Group companies | | | 1,988,192 | 3,341,458 |
| **Total** | **3,675** | **4,619** | **5,104,139** | **7,696,792** |

The amount of trade payables in foreign currency was low in 2017 and 2016.

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

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

| | Parent company, FAS (EUR) | |
|---|---|---|
| | **2017** | 2016 |
| Holiday pay, including social costs | 531,418 | 448,802 |
| Bonuses, including social costs | 95,276 | 29,439 |
| Prepaid income | 807,736 | 2,208,464 |
| Other accrued expenses | 49,343 | 101,031 |
| **Total** | **1,483,772** | **2,787,735** |

Emoyhtiön konsernivelkojen erittely:

| | | |
|---|---|---|
| QPR CIS Oy | - | - |
| QPR Services Oy | 636,464 | 2,000,000 |
| QPR Software AB | 613,261 | 549,856 |
| QPR Software Inc | 738,466 | 791,602 |
| OOO QPR Software | - | - |
| **Yhteensä** | **1,988,192** | **3,341,458** |

## 25. Adjustments to the cash flow from operating activities

| | Group, IFRS (EUR 1,000) | |
|---|---|---|
| | **2017** | 2016 |
| Accrued and deferred taxes | 146 | 142 |
| Other items | 31 | 60 |
| **Total** | **177** | **202** |

## 26. Commitments and contingent liabilities

| | Group (EUR 1,000) | | Parent company (EUR) | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| Business mortgage (held by the company) | 1,388 | 1,390 | 1,337,288 | 1,337,288 |
| Lease liabilities and rent commitments | | | | |
| Maturing in less than one year | 278 | 289 | 277,927 | 289,135 |
| Maturing during 1-5 years | 88 | 345 | 87,505 | 345,434 |
| **Total** | **1,754** | **2,024** | **1,702,720** | **1,971,858** |

Rental commitments include office rental agreements:

- Rental agreement (January 1, 2017), valid for the time being. The notice period is 6 months. First notice day is December 31, 2018.
- Rental agreement (October 1, 2016), valid for the time being. The notice period is 6 months. First notice day is September 30, 2018. Lyhytaikaiset muut saamiset sisältävät vuokravakuudeksi annettuja rahavaroja 13 tuhatta euroa.

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

The Parent Company has a EUR 1 million credit line in Nordea for short-term financing needs. No amounts were withdrawn under the credit line at the end of 2017 and 2016.

Dec 31, 2017 and 2016 the Group and the Parent company had no derivative contracts.

## 27. Financial risk management

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

**Foreign exchange risk**

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

The main part of trade receivables is in Euros (EUR). The most significant invoicing currencies after EUR were the U.S. Dollar (USD), the Swedish Krona (SEK) and the South African Rand (ZAR) during the financial year. If the value of USD, SEK and ZAR 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 64 thousand, equaling 1.8% 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 70 thousand. A breakdown of trade receivables by currency is presented in Note 20.

In accordance with the foreign exchange risk policy approved by the Board of Directors on 19 May, 2010, the Company may engage in foreign currency hedging. The purpose of the currency hedging is to reduce the added uncertainty of exchange rates and to minimize the adverse impact of the exchange rate changes to the Group's cash flow, financial results and equity. Management regularly reviews the Company's foreign exchange risks, taking into account the hedging costs.

At the end of 2017 and 2016, the Company did not have any hedging instruments.

**Interest rate risk**

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

**Liquidity risk**

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

The objective of liquidity risk management is to maintain sufficient liquidity and to ensure that it is available for business purposes fast enough.

QPR maintains sufficient liquidity through efficient cash management and deposits.

The Group's interest-bearing loans do not include any covenants.

Maturity schedule of liabilities (amounts are undiscounted):

| **Group** (EUR 1,000), IFRS | Book value | 0–6 months |
| --- | --- | --- |
| Trade and other payables | 620 | 620 |
| **Total** | **620** | **620** |

**Operative credit risk**

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

## 28. Key figures of the group 2015-2017

| **Group** (EUR 1,000), IFRS | **2017** | 2016 | 2015 |
| --- | --- | --- | --- |
| Net sales | 8,484 | 8,634 | 9,436 |
| Growth of net sales, % | -1.7 | -8.5 | -1.1 |
| Operating profit | 432 | 761 | 368 |
| % of net sales | 5.1 | 8.8 | 3.9 |
| Profit or loss before tax | 393 | 710 | 347 |
| % of net sales | 4.6 | 8.2 | 3.7 |
| Profit for the period | 247 | 568 | 338 |
| % of net sales | 2.9 | 6.6 | 3.6 |
| | | | |
| Return on equity, % | 7.7 | 18.4 | 11.1 |
| Return of investments, % | 13.8 | 24.6 | 10.9 |
| Interest-bearing liabilities | - | - | 500 |
| Cash and cash equivalents | 318 | 565 | 585 |
| Net liabilities | -318 | -565 | -85 |
| Equity | 3,132 | 3,252 | 2,914 |
| Gearing, % | -10.1 | -17.4 | -2.9 |
| Equity ratio, % | 55.8 | 46.3 | 42.7 |
| Total balance sheet | 6,807 | 7,871 | 8,033 |
| | | | |
| Investment in intangible and tangible assets | 872 | 698 | 1,148 |
| % of net sales | 10.3 | 8.1 | 12.2 |
| Research and development expenses | 2,274 | 1,818 | 1,821 |
| % of net sales | 26.8 | 21.2 | 19.3 |
| | | | |
| Personnel average for period | 76 | 71 | 86 |
| Personnel at the beginning of period | 63 | 83 | 78 |
| Personnel at the end of period | 76 | 63 | 83 |

# 29. Key figures per share 2015-2017

| **Group, IFRS** | **2017** | 2016 | 2015 |
|---|---|---|---|
| Earnings per share, EUR | 0.021 | 0.047 | 0.028 |
| Equity per share, EUR | 0.252 | 0.261 | 0.234 |
| Dividend per share *, EUR | 0.030 | 0.030 | 0.020 |
| Dividend per profit, % | 145.5 | 63.3 | 70.9 |
| Effective dividend yield, % | 1.8 | 2.5 | 1.7 |
| Price/earnings ratio (P/E) | 82.9 | 25.3 | 42.6 |
| Development of share price | | | |
| Average price, EUR | 1.59 | 1.08 | 1.39 |
| Lowest closing price, EUR | 1.17 | 0.97 | 1.02 |
| Highest closing price, EUR | 1.91 | 1.26 | 1.96 |
| Closing price on Dec 31, EUR | 1.71 | 1.20 | 1.20 |
| Market capitalization on Dec 31, EUR 1,000 | 20,499 | 14,385 | 14,385 |
| Development of trading volume | | | |
| Number of shares traded, 1,000 pcs | 1,552 | 902 | 4,558 |
| % of all shares | 12.9 | 7.5 | 38.0 |
| Number of shares on Dec 31, 1,000 pcs | 12,445 | 12,445 | 12,445 |
| Average number of shares outstanding | 11,988 | 11,988 | 11,991 |

*) Year 2017: The Board of Director's proposal to the Annual General Meeting to be held on April 12, 2018.

# 30. Capital management

| **Group** (EUR 1,000), IFRS | **2017** | 2016 |
|---|---|---|
| Interest-bearing loans | - | - |
| Cash and cash equivalents | 318 | 565 |
| Net liabilities | -318 | -565 |
| Shareholders' equity | 3,132 | 3,252 |
| Gearing, % | -10 | -17 |
| Equity ratio, % | 56 | 46 |
| Total balance sheet | 6,807 | 7,871 |

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

## Definition of key indicators

**Return on equity (ROE), %:**
Profit for the period x 100
Shareholders' equity (average)

**Return on investment (ROI), %**
(Profit 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) x 100
Total equity

**Earnings per share, euro:**
Profit for the period attributable to the shareholders of the parent company
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 profit, %:**
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

# Signatures of Board of Directors' Report and Financial Statements

Helsinki, Finland, February 14, 2018

QPR Software Plc
Board of Directors

Vesa-Pekka Leskinen
Chairman of the Board

Kirsi Eräkangas
Board member

Juha Häkämies
Board member

Topi Piela
Board member

Taina Sipilä
Board member

Jari Jaakkola
Chief Executive Officer

## Auditor's note

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

Helsinki, Finland, March 1, 2018

KPMG Oy Ab
Authorized Public Accountants

Kirsi Jantunen
Authorized Public Accountant

# Auditor’s Report

## To the Annual General Meeting of QPR Software Plc

### Report on the Audit of the Financial Statements

#### OPINION

We have audited the financial statements of QPR Software Plc (business identity code 0832693-7) for the year ended 31 December, 2017. 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 9 to the consolidated financial statements.

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

#### MATERIALITY

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

## KEY AUDIT MATTERS

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

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

| THE KEY AUDIT MATTER | HOW THE MATTER WAS ADDRESSED IN THE AUDIT |
|---|---|
| **Revenue recognition principles (Refer to Accounting principles for the consolidated financial statements and notes 2 and 3)** | |
| Software licenses, software maintenance services and software rentals are based on long-term contracts continuing for the time being or for a fixed period. Typically rentals and maintenance services are charged annually in advance.<br><br>The company's contracts in respect of software revenues include, among others, license and maintenance charges, for which revenue may be recognised at different point of time.<br><br>The revenue recognition principles and their consistent application has a significant impact on the net sales and profitability as reported by QPR Software Plc, therefore the revenue recognition principles are one of the key areas that our audit is focused on. | Our audit procedures included testing of key controls designed to ensure the completeness and accuracy of net sales.<br><br>We evaluated the revenue recognition principles by reference to applicable financial reporting standards, the company's accounting practices and contract terms.<br><br>In respect of significant new and selected other contracts, we tested the accuracy of invoicing, compliance with the company's accounting principles and the consistency of revenue recognition with terms of sale in the contracts. |
| **Valuation of capitalised product development costs (Refer to Accounting principles for the consolidated financial statements and notes 9 and 14)** | |
| Group companies develop software and consulting service products to be used by its customers. The total product development costs capitalised amounted to EUR 0.8 million in the financial year. The capitalised product development costs are amortised over four years on a straight-line basis. The carrying amount, EUR 1.8 million, represents 57 percent of the consolidated equity.<br><br>Due the significant carrying amount and management judgment involved in determining recoverable amounts and useful lives, valuation of capitalised product development costs is one of the key areas that our audit is focused on. | Our audit procedures included evaluation of the capitalisation principles, testing of the accuracy of cost calculations and assessment of the appropriateness of the amortisation period and amortisation method used.<br><br>We evaluated calculations prepared by management and the reasonableness of the underlying assumptions, and assessed the forecasts prepared by management by comparing the actual results with the original forecasts.<br><br>Furthermore, we considered the appropriateness of the Group's notes in respect of intangible assets. |

## RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR FOR THE FINANCIAL STATEMENTS

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

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

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF FINANCIAL STATEMENTS

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

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

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

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

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

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

## Other Reporting Requirements

### INFORMATION ON OUR AUDIT ENGAGEMENT

We have been the auditors appointed by the Annual General Meeting since 2006, and our appointment represents a total period of uninterrupted engagement of 12 years.

### OTHER INFORMATION

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date. Our opinion on the financial statements does not cover the other information.

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

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

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

### OTHER OPINIONS

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

Helsinki, March 1, 2018

KPMG OY AB

Kirsi Jantunen
Authorised Public Accountant, KHT

# Information for Shareholders

## The share of QPR Software Plc

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

- Trading code: QPR1V
- ISIN code: FI0009008668

## Annual General Meeting

The Annual General Meeting will be held on Thursday April 12, 2018 starting at 1:00 p.m. at the Company's headquarters Huopalahdentie 24, 00350 Helsinki, Finland.

A shareholder of the Company that has been entered into the Company's shareholders' register maintained by Euroclear Finland Ltd on March 29, 2018 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 4, 2018, at 4.00 p.m. at the latest, in writing to the address QPR Software Plc. Huopalahdentie 24, 00350 Helsinki, by phone to the number +358 50 4361 658, or by email to the address ilmoittautumiset@qpr.com.

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

A holder of nominee registered shares has the right to participate in the Annual General Meeting by virtue of such shares, based on which he/she on the record date of the Annual General Meeting, i.e. on March 29, 2018, 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 9, 2018 by 10:00 a.m. (Finnish time). As regards nominee registered shares this constitutes due registration for the Annual General Meeting.

A holder of nominee registered shares is advised to request without delay all necessary instructions regarding the temporary registration in the shareholder's register of the Company, the issuing of proxy documents and registration for the Annual General Meeting from his/her custodian bank. The account management organization of the custodian bank has to register a holder of nominee registered shares, who wants to participate in the Annual General Meeting, into the temporary shareholders' register of the Company at the latest by 9 April, 2018 by 10:00 a.m. (Finnish time), as mentioned above.

## Dividend

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.03 per share be paid to shareholders for financial year 2017. The Board of Directors proposes to the Annual General Meeting that dividend will be paid on April 23, 2018.

## Financial information in 2018

In 2018, QPR Software Plc will publish its financial information as follows:

- Interim Report Jan-Mar/2018: Thursday, April 26, 2018
- Interim Report Jan-Jun/2018: Thursday, August 2, 2018
- Interim Report Jan-Sep/2018: Thursday, October 25, 2018

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

## Changes of addresses

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

# Industry Recognition of QPR Markets by Gartner

During 2017 QPR Software has been cited in many analyst reports. Following are the reports for En-terprise Architecture tools, Enterprise Business Process Analysis, Digital Transformation Platforms and Business Operating System / Digital Twin of your Organization.

## Gartner, Magic Quadrant for Enterprise Architecture Tools

PUBLISHED: 24 MAY 2017 | ANALYSTS: SAMANTHA SEARLE, MARC KERREMANS

Enterprise architecture and technology innovation leaders face unprecedented change and will likely require an EA tool to enable them to manage complexity more effectively. This research informs them of the main EA tool vendors in an evolving marketplace driven by the dynamics of digital business.

## Gartner, Market Guide for Enterprise Business Process Analysis – a Representative Vendor

PUBLISHED: 07 JUNE 2017 | ANALYSTS: MARC KERREMANS, SAMANTHA SEARLE

Enterprise business process analysis helps EA and TI leaders support transforming and improving business performance and outcomes through business and process modeling. This research describes the market, identifies use cases, and highlights some key vendors and their fit with common use scenarios.

## Gartner, Hype Cycle for Multienterprise Solutions, 2017 – a Sample Vendor

PUBLISHED: 23 OCTOBER 2017 | ANALYSTS: DEBORAH R WILSON, WILLIAM MCNEILL

The multienterprise solutions market offers an array of emerging and adolescent technologies, applications and networks to build the B2B ecosystem portion of the digital platform. Application leaders and supply chain leaders can use this research to identify options and evaluate suitability.

## Gartner, 12 Powerful Use Cases for Creating a Digital Twin of Your Organization

PUBLISHED: 25 OCTOBER 2017 | ANALYST: MARC KERREMANS

Enterprise architecture and technology innovation leaders should drive creation of a digital twin of their organization for guiding corporate initiatives like digital transformation. CIOs and business peers can use these 12 use cases to spearhead discussions on the disruptive nature of this concept.

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Dare to improve.

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