QPR Software Plc

Annual Report 2016

Index

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 2016 – key events

Q1

- **January:** QPR and Swedish business and IT services company iStone signed a reseller agreement for QPR ProcessAnalyzer, software that enables automated process analysis based on existing enterprise resource planning system (ERP) data.

- **February:** QPR and PricewaterhouseCoopers (PwC) Portugal signed a consulting agreement on using QPR ProcessAnalyzer software for PwC's process and operational improvement consulting in Portugal.

- **March:** QPR signed an agreement on delivering software to be used for business process management purposes in one of the world's largest lighting manufacturing companies.

- **March:** QPR launched the QPR MobileDashboard, an application that makes it even easier to access and browse actionable performance information on the go.

Q2

- **April**: QPR was listed as a vendor in the Gartner Market Guide for Enterprise Business Process Analysis (EBPA). Globally this Guide lists 22 representative vendors offering solutions in this market.

- **May:** QPR received additional intellectual property protection for its process mining technology as the United States Patent and Trademark Office awarded already the second patent for the technology utilized in QPR ProcessAnalyzer.

- **June**: QPR made a deal to deliver QPR ProcessDesigner and QPR Metrics, as well as professional consulting services to a leading European engineering company.

- **June:** QPR released new QPR Suite 2016, a complete portfolio of business management tools for planning, executing and monitoring strategy-driven operations.

Q3

- **August:** QPR announced to deliver a powerful and easy to use software solution for strategy execution and quality management to a leading home furniture & furnishings retailer in Middle East.

- **September:** QPR announced to deliver process mining software to a leading IT and business process outsourcing service provider, which is a member of Fortune 500.

Q4

- **December:** QPR announced to deliver Finnish public sector enterprise architecture modeling service and related professional services to the Ministry of Finance in Finland.

Our mission and strategy

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

We innovate, develop and sell software aimed at analyzing, monitoring and modeling operations in organizations. Furthermore, we offer customers a variety of consulting services.

Our product development is designed to solve the increasing challenges faced by organizations in leading their operations in rapidly digitalizing world.

Our focus areas are process mining, process analytics and operational performance monitoring. 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 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 market. In software development, we have placed renewed focus on great user experience.

In the next few years, we seek to specifically grow our international software sales. In order to reach this target, we will increase our resources in marketing and sales this year.

Our offering

We offer our customers innovative and efficient tools to model and measure all layers and dimensions of operations. From automatically discovering and monitoring any processes based on actual event data, and to analyzing causes for 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 direct 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 two patents to our technology behind this software.

In international markets, we are significantly increasing our own direct sales as part of our current efforts. In addition, we have an extensive reseller network in software sales, extending into over 50 countries.

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

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

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

We proceeded in the growing process mining market

QPR Software's business environment remained still challenging during the year 2016. Economic growth was weak in most markets, especially in the Company's largest market area, Europe (including Finland).

On the other hand, the demand for process mining, being at the beginning of its lifecycle, increased strongly. We acquired and extended several significant client engagements with big international corporations. Consequently, our net sales for this product area grew significantly during the past year.

Thanks to our patented technology, early market entry, and innovative functionalities, our process mining software QPR ProcessAnalyzer is in excellent position to continue its strong market growth.

In May, we received additional intellectual property protection for our process mining technology, when the United States Patent and Trademark Office awarded already the second patent for the technology in question. The latest patent now safeguards the technology behind predicting the probability of future events based on process analysis.

Targeted investments for growth

In process and enterprise architecture modeling and performance management software, we will sustain our strong position with solution development. In our home market in Finland, operational development consulting will complement these solutions.

At the end of 2016, we started to increase our investments in product development. During the first part of this year, we will build especially our marketing and delivery resources. We will seek growth in process mining and especially in its international software markets.

I would like to thank all our customers, partners, personnel and shareholders for their excellent collaboration in 2016.

Jari Jaakkola
CEO

Board of Directors

QPR Board of Directors had 12 meetings in 2016 (13). The average attendance percentage in meetings was 90 (96). The Board of Directors made a self-assessment of its operation. The Board has not established any committees. Chairman of the Board received an annual emolument of EUR 25,230 and a member an emolument of EUR 16,820 in 2016. No separate meeting fees were paid.

Vesa-Pekka Leskinen

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

Mr. Vesa-Pekka Leskinen is the Chairman of the Board of Kauppamainos Oy and was the CEO of Kauppamainos from 1979 to September 2010. He is a major owner of Kauppamainos Oy. The main area of business of Kauppamainos has been investor relations and communications, in relation to which Kauppamainos has designed and delivered nearly a hundred annual reports of various companies, participated in the preparation of tens of equity issues, and have been supporting the IPO process of more than ten companies. Mr. Leskinen has personally been involved in carrying out the investor relations and communication of public listed companies.

Vesa-Pekka Leskinen is also a founding partner of Quartal Oy and was the majority owner of the company until 1999. Quartal Oy is focusing on developing and delivering computerized delivery solutions and communication services, especially for the stock market and the companies having business therein. In addition, Vesa-Pekka Leskinen is the Chairman of the Board of Directors of Vianaturale Oy (as of May 2014, earlier member as of October 2006). By education Mr. Leskinen is an undergraduate and has an MAT degree.

Mr. Leskinen held 851,400 shares of QPR Software Plc at December 31, 2016. Kauppamainos Oy, whose major owner Mr. Leskinen is, held 475,170 shares of QPR Software Plc at December 31, 2016.

Kirsi Eräkangas

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

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

Kirsi 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. Eräkangas had a central role in developing Basware's business, and she held several executive positions 1988–2005. Her latest operative res-ponsibility covered Basware's professional services globally. She was Basware's board member 1993–2008, latest as the Vice Chairman.

Earlier she has been a member of Board of Directors of Biocomputing Platforms Ltd (2007–2010 and 2014), Finpro ry (2007–2013), Oy Free Drop Innovations Ltd (2013–2015), Softability Oy (2006–2008) and Vahanen International Oy (2014–2015) as well as a member of the Board of Directors (2007–2012) and Chairman of the Board (2008–2010) of Nervogrid Oy. She was a member of the Board of Directors of Nobultec Ltd in 2008, and the Chairman of the Nobultec Board during 2009–2011, a company acquired by QPR Software in 2011. Mrs. Eräkangas is also a member of the Finnish Association of Professional Board Members. Kirsi Eräkangas holds a M.Sc. degree in Economics and EMBA degree.

Ms. Eräkangas held 7,000 shares of QPR Software Plc at December 31, 2016.

Juho Malmberg

b. 1962
Member of Board since March 2015
Independent of the Company and its significant shareholders

Mr. Juho Malmberg is the Head of Development and Technologies in Finland's largest financial services group, the OP Financial Group. He is also a member of Board of Directors in and Kemppi Oy. Earlier he has been a member of Board of Directors also in F-Secure Corporation 2008–2016 and Kuntien Tiera Oy 2011–2013. From 2012 to 2014 Malmberg was the CEO of ZenRobotics Ltd, a company focusing on robotic system based recycling.

Prior to this Juho Malmberg worked in Kone Corporation as a Member of the Kone Executive Board. In 2006–2010, as Executive Vice President, Development he was responsible, among others, for Kone's global business change program KONE Way and customer process and was the head of IS/IT. In this role he was nominated as the CIO of the Year 2010 in Finland. From 2010 to 2012 Malmberg was as Executive Vice President, Customer Experience responsible for Kone's customer experience, developing globally sales and customer care, as well for market and competitor intelligence and analysis.

From 1987 to 2006 Juho Malmberg worked in Accenture in various positions, starting as a consultant in Accenture United Kingdom in 1987. He moved to Accenture Finland in 1989 and advanced as the Managing Director, Accenture Finland and later as the Accenture Nordic Outsourcing Business Lead. Juho Malmberg holds a Master of Science, Electrical Engineering (Information Technology) degree.

Mr. Malmberg held 10,000 shares of QPR Software Plc at December 31, 2016.

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 to 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 Etera Mutual Pension Insurance Company, JJPPPT Holding Oy and Asuntosalkku Suomi Oy. He is also a member of the State Pension Fund and YLE (the Finnish Broadcasting Company) Pension Fund investment committees, and the audit Committee of Etera.

Earlier, Topi Piela served as the Managing Director of Finvest Oyj and Amanda Capital Plc, after which he assumed a position in the Board of Directors of Amanda and worked also as a chairman. Piela's previous positions include Investment Director at Ilmarinen Mutual Pension Insurance Company, Managing Director and co-founder of Arctos Rahasto Oy, and Securities and Investment Director of Ålandsbanken Ab. He has also served on the investment committees of several Finnish and European private equity funds. Topi Piela has earlier been member of QPR Software Board of Directors during 2006–2009. Mr. Piela has a M.Sc. degree in Economics and has CEFA and Advanced Insurance Examination diplomas.

Mr. Piela held 1,052 shares of QPR Software Plc at December 31, 2016. Umo Capital Oy, whose Deputy to CEO Mr. Piela is, held 1,657,986 shares of QPR Software Plc at December 31, 2016.

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, Business Operations at QPR Software Plc. Jari Jaakkola's previous experience covers leadership positions in Sonera Corporation and 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 holds a B.A. degree in journalism from Tampere University and an MBA from Henley Business School (United Kingdom).

Mr. Jaakkola held 240,000 shares of QPR Software Plc at December 31, 2016. His 100% owned company Value FM Ltd held 8,000 shares of QPR Software Plc at December 31, 2016.

Tero Aspinen (since January 1, 2017)

b. 1984
Vice President, business in Middle East and performance management solutions, since January 2017
Member of the Executive Management Team since January 2017

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

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

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

Maija Erkheikki (maternity leave since July 27, 2016)

b. 1978
Member of the Executive Management Team since January 2008.

Prior to her maternity leave Ms. Maija Erkheikki was responsible for the international channel sales of QPR's modeling and performance management software.

At QPR she started as a senior consultant training reseller partners and implementing solutions for Finnish customers. In 2006 she was based in California and supported US reseller partners and implemented solutions for the US customers. In 2007 she was in charge of channel sales in North America. In 2008 she was also responsible for the channel sales in Europe and South America. From 2009 to 2010 Maija Erkheikki worked as Vice President, Services and Solutions.

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

Ms. Erkheikki held 2,000 shares at December 31, 2016.

Matti Erkheikki

b. 1978
Senior Vice President, Process mining management business since January 2017
Member of the Executive Management Team since July 2007

Mr. Matti Erkheikki is in charge of process mining, channel business and customer service.

He has been served QPR Software since February 2002, initially as a consultant. In 2005 he 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 2012–2014 also for the global OEM business. Prior to the current position, he was in charge of the domestic sales and global delivery of process intelligence solutions, developing an international process intelligence solution sales channel as well as for selling and delivering SAP solutions in the Finnish market.

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

Matti Erkheikki held no shares and his spouse held 2,000 shares of QPR Software Plc at December 31, 2016.

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.

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

Ms. Mattila holds a Master of Science degree in Economics.

Ms. Jaana Mattila held no shares of QPR Software Plc at December 31, 2016.

Miika Nurminen

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

Mr. Miika Nurminen is responsible for QPR's business in Finland and internal ITC.

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

Mr. Nurminen holds a Master of Business Information Technology degree.

Miika Nurminen held no shares of QPR Software Plc at December 31, 2016.

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 ICT business.

Before QPR he worked in Nokia Siemens Networks as the Head of Research & Development at OSS Business Line as well as in the company's restructuring program. Prior to this, in 2001–2008, he worked as Director, Enterprise Architecture in Nokia and Nokia Siemens Networks. Mr. Riihinen held several managerial positions in Nokia 1992–2001, and was the CEO of AmbraSoft Finland Ltd 1987–1992.

Mr. Riihinen has undergraduate studies in Engineering, at Aalto University School of Science and Technology.

Jaakko Riihinen held 30,000 shares of QPR Software Plc at December 31, 2016.

Report of the Board of Directors 2016

Highlights in 2016:

- Net sales EUR 8,634 thousand (2015: 9,436).
- Net sales decreased by 8%. Process mining business increased significantly, but it did not fully compensate sales decline in other businesses.
- Operating profit doubled to EUR 761 thousand (368), operating profit 8.8% of net sales (3.9). Operating profit increased due to siginificantly decreased expenses. Especially personnel costs were lower compared to previous year.
- Comparable operating profit EUR 801 thousand (368).
- Profit before taxes EUR 710 thousand (347).
- Profit for the year EUR 568 thousand (338).
- Earnings per share EUR 0.047 (0.028).
- 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 of 2016 (2015: 0.02).

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 measuring.

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 geographic information QPR Software reports geographical areas 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 2016 were EUR 8,634 thousand (9,436), representing a decrease of eight per cent. This was due to lower sales in Finland, where especially consulting net sales declined. Net sales of operational development consulting and technical SAP consulting decreased, but net sales of process mining and analysis consulting increased.

International net sales grew slightly (+2%) due to significantly increased sales in process mining software, although international reseller sales decreased in process and enterprise architecture modeling and performance management software. However, new reseller partners had a positive impact on net sales of reselling channel and did reduce the sales decline.

Software license net sales decreased (-8%) due to lower sales in Finland. A vast majority of license net sales were derived from international markets where sales increased.

Software maintenance services (-3%) and software rental net sales (-6%) decreased compared to previous year. This was mainly due to expiration of a few significant long-term contracts, which was not fully compensated by new sales. The share of recurring revenue was 51% (49) of total net sales.

Consulting net sales decreased by 15%, which was especially caused by a significant decline in sales during the first quarter of the year. Net sales from process mining and analysis services grew, but sales from technical SAP consulting and operational development consulting decreased.

As for the Group net sales, 65% (69) were derived from Finland, 20% (18) from the rest of Europe (including Russia and Turkey) and 15% (13) from the rest of the world.

FINANCIAL PERFORMANCE

Operating profit

The Group operating profit improved significantly in 2016 from the previous year and was EUR 761 thousand (368), representing 8.8% of net sales (3.9). Comparable operating profit was EUR 801 thousand (368). The items that had an impact on comparable operating profit were related to the streamlining of operations implemented in early 2016, and mainly included personnel expenses.

Net sales by product group

EUR in thousands	**2016**	2015	*Change, %*
Software licenses	1,316	1,427	*-8*
Software maintenance services	2,776	2,873	*-3*
Software rentals	1,670	1,774	*-6*
Consulting	2,872	3,362	*-15*
Total	**8,634**	**9,436**	***-8***

Net sales by geographic area

EUR in thousands	**2016**	2015	*Change, %*
Finland	5,634	6,499	*-13*
Europe, including Russia and Turkey	1,748	1,740	*0*
Rest of the world	1,252	1,197	*5*
Total	**8,634**	**9,436**	***-8***

Costs decreased significantly and especially personnel costs were lower than in the previous year. Further investments were made in the Company's new software products.

The Group's fixed costs were EUR 7,472 thosand (8,510) in the reporting period and they decreased by 12% compared to year-on-year. Personnel costs represented 72% (76) of fixed costs, equaling to EUR 5,362 thousand (6,477).

Other items in the comprehensive income statement

Net financial expenses were EUR 51 thousand (21). Financial items included foreign exchange currency losses (net) of EUR 40 thousand (20).

Profit before taxes was EUR 710 thousand (347) and profit for the period was EUR 568 thousand (338).

Taxes recorded for the period were EUR 142 thousand (9).

Earnings per share (fully diluted) were EUR 0.047 (0.028).

FINANCE AND INVESTMENTS

Cash flow from operating activities in 2016 was EUR 1,419 thousand (406), and in the fourth quarter EUR 199 thousand (-379). The significant growth of cash flow resulted mainly from improved profit and change in invoicing interval. Change in invoicing interval also caused a significant amount of value added taxes to be paid already at the end of 2015, which had a positive impact on cash flow. Cash and cash equivalents at the end of the financial year were EUR 565 thousand (585).

Investments during the financial year were EUR 698 thousand (1,148), and consisted mainly of product development investments.

Net change in cash and cash equivalents was EUR -20 thousand (-841) in 2016. Cash and cash equivalents at the end of the year were EUR 565 thousand (585). At the end of the financial year, the Company did not have any interest-bearing liabilities.

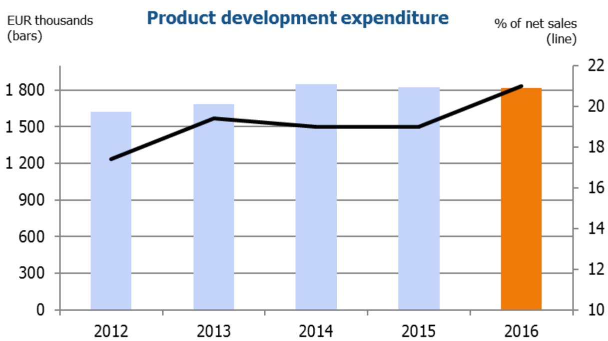
The gearing ratio was -17% (-3). Current liabilities include deferred revenues in total of EUR 852 thousand (1,209). Annualized return on investment was 25% (12) in the financial year.

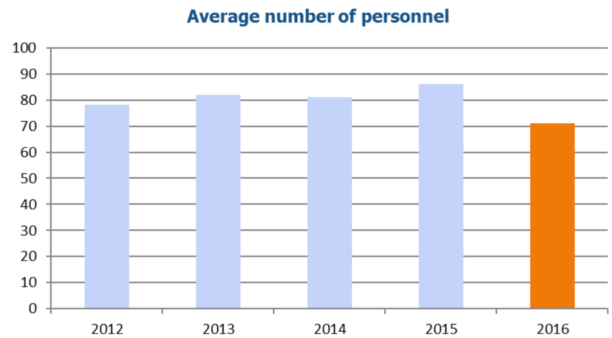
At the end of the financial year, equity ratio was 46% (43) and the consolidated shareholders' equity was EUR 3,252 thousand (2,914). Annualized return on equity was 18% (11).

PRODUCT DEVELOPMENT

QPR develops software and consulting service products to be used by its customers. Software product development costs in 2016 were approximately 94% (91) of all product development costs. The Company published new versions of all of its software products during the year.

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.





In 2016, product development expenses were EUR 1,818 thousand (1,821), representing 21% of net sales (19). Product development expenses do not include amortization of capitalized product development expenses. Product development expenses were capitalized for a total amount of EUR 621 thousand (782). The amortization of capitalized product development expenses was EUR 569 thousand (462).

PERSONNEL

At the end of the year, the Group employed a total of 63 persons (83). Average number of personnel in 2016 was 71 (86).

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 2016, the maximum annual bonus of executive management team, including the CEO, is 30% of the annual base salary. A bonus totaling EUR 10 thousand (8) is paid to the executive management team for 2016. 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 1,171 shareholders (1,212). During the year, trading in the Company's shares amounted to EUR 971 thousand (6,351), i.e. an average of EUR 3,838 per trading day (25,302).

Trading in shares totaled 901,526 shares (4,558,065), giving an average of 3,563 shares per trading day (18,160). Turnover in shares corresponds to 7.5% of the total shares outstanding (38) and the average price was EUR 1.08 per share (1.39). The highest closing price during the year was EUR 1.26 (1.96) and the lowest EUR 0.97 (1.02).

At the end of the year, the total market value of the Company shares outstanding was EUR 14,385 thousand (14,385) at the closing price of EUR 1.20.

Own shares

In 2016, 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 22, 2016 authorized the Board of Directors to decide on issuing a maximum of 4,000,000 new shares, to decide on conveyance of a maximum of 700,000 own shares held by the Company, and to decide on acquiring a maximum of 250,000 own shares. The authorizations are in force until the next Annual General Meeting. For the time being, the Company has not used these authorizations.

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 2016.

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

Major shareholders, December 31, 2016

Registered shareholders	Number of shares	% of shares and votes
Pelkonen, Jouko Antero:	1,714,000	13.77
Pohjolan Rahoitus Oy	1,700,000	13.66
Pelkonen, Jouko Antero	8,000	0.06
Future 2012 Oy	6,000	0.05
Umo Capital Oy	1,657,986	13.32
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
Laakso, Janne Juhani	250,000	2,01
Jaakkola, Jari Vesa:	248,000	1.99
Jaakkola, Jari Vesa	240,000	1.93
Value Fm Oy	8,000	0.06
Leskinen, Veli-Mikko	232,530	1.87
Sijoitusrahasto Nordea Suomi Small Cap	191,135	1.54
Becker, Kai-Erik Wilhelm	130,000	1,04
Lehto, Teemu Samuli	92,500	0,74
Parviainen, Panu Ollinpoika	51,684	0,42
Hirvilammi, Hannu Esa	50,000	0,40
Kanninen, Matti Juhani	49,839	0,40
Knuutila, Eero Matias Samuli	40,745	0,33
Puranen, Tommi Petteri	40 000	0,32
Hinkka, Markku Juhani	38,270	0,31
20 largest, total	**9,197,788**	**73.90**
Other shareholders	3,247,075	26.10
Total	**12,444,863**	**100.00**

Further information such as administration of the insider register, the public 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

Following decisions were made by the Annual General Meeting (AGM) on March 22, 2016:

The AGM confirmed the Parent Company's and the Group’s financial statements for the financial year 2015, and discharged the Board of Directors and the Managing Director from liability.

The Annual General Meeting approved the Board's proposal that a per-share dividend of EUR 0.02, a total of EUR 240 thousand, be paid for the financial year 2015. The dividend was paid to shareholders entered in the Company's shareholder register, maintained by Euroclear Finland Oy, on the record date of March 24, 2016. The dividend payment date was April 5, 2016**.**

The Annual General Meeting resolved that the Board of Directors consists of four (4) ordinary members.

The AGM re-elected the following members to the Board of Directors: Kirsi Eräkangas, Vesa-Pekka Leskinen, Juho Malmberg and Topi Piela. In its meeting following the Annual General Meeting, the Board of Directors elected Vesa-Pekka Leskinen as Chairman of the Board.

The AGM elected KPMG Oy Ab, Authorized Public Accountants, to continue as QPR Software Plc's auditors, with Kirsi Jantunen, Authorized Public Accountant, acting as principal auditor.

The AGM decided to keep the Board members’ emoluments unchanged. The Chairman of the Board receives

Shareholding by insiders, December 31, 2016

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
Juho Malmberg, Member of the Board	10,000	0	0	0
Topi Piela, Member of the Board	1,052	0	0	0
Kirsi Jantunen, Principal Auditor	0	0	0	0
Jari Jaakkola, Chief Executive Officer	239,000	9,000	0	0
Insiders by definition:				
Maija Erkheikki, SVP, Executive Management Team	2,000	0	0	0
Matti Erkheikki, SVP, Executive Management Team	0	0	2,000	0
Jaana Mattila, SVP, Executive Management Team	0	0	0	0
Miika Nurminen, SVP, Executive Management Team	0	0	0	0
Jaakko Riihinen, SVP, Executive Management Team	30,000	0	0	0

*) Shares held by spouses and persons under guardianship.

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 Annual General Meeting are available in their entirety on the stock exchange release published by the Company on March 22, 2016 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, 2016, the Executive Management Team (EMT) of QPR Software Plc consisted of Chief Executive Officer Jari Jaakkola (chairman), SVP Channel business Maija Erkheikki, SVP Process intelligence business Matti Erkheikki, Chief Financial Officer Jaana Mattila, SVP Operational development business Miika Nurminen, and SVP Products and Technology Jaakko Riihinen.

Maija Erkheikki started her maternity leave on July 27, 2016, since then Jari Jaakkola assumed her tasks until the end of the year. From the beginning of 2017, Channel business, Customer Service and Marketing were combined into Process Mining intelligence business. Matti Erkheikki was appointed to lead the new unit of Process Mining and Strategy Management.

Tero Aspinen was appointed as Member of the Executive Management Team in January 1, 2017. He is responsible for the business in the Middle East market and the Strategy Management offering development.

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, 2016, representing 12.8% of the total number of shares and votes (December 31, 2015: 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 22, 2016 decided to authorize the Board of Directors to decide on an issue of new shares and conveyance of treasury 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 treasury shares 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 treasury shares can be

Distribution of shareholding by size, December 31, 2016

	Shareholders:		Shares and votes, total:	
Number of shares	Number	%	Number	%
1 – 500	579	49.4	106,423	0.9
501 – 1 000	209	17.8	175,322	1.4
1 001 – 5 000	278	23.7	672,570	5.4
5 001 – 10 000	48	4.1	364,972	2.9
10 001 – 50 000	39	3.3	813,718	6.5
50 001 – 100 000	3	0.3	197,108	1.6
100 001 – 1 700 000	15	1.3	10,114,750	81.3
Total	**1,171**	**100.0**	**12,444,863**	**100.0**
, of which nominee-registered			1,387,345	11.1

Distribution of shareholding by sector, December 31, 2016

Sector				
Private companies	39	3.3	5,684,961	45.7
Financial and insurance institutions	6	0.5	2,103,408	16.9
Households	1,106	94.5	4,609,136	37.0
Non-profit organizations	1	0.1	1	0.0
Foreign	1	0.1	150	0.0
European Union	17	1.5	43,207	0.3
Other countries	1	0.1	4,000	0.0
Total	**1,171**	**100.0**	**12,444,863**	**100,0**
, of which nominee-registered			1,387,345	11.1

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 22, 2016, 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 decision-making. 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 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 third-party 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.

No significant changes have taken place in QPR's information and product related risks during 2016.

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 2016 is described in more detail in Note 27.

LEGAL DISPUTES

During 2016, QPR initiated an arbitration process due to a customer's decision to dissolve a contract, as QPR regards this dissolution unjustified. The value of the contract is less than EUR 100 thousand and less than EUR 50 thousand has been recognized as revenue. The customer has made a counterclaim with demands worth under EUR 100 thousand. QPR believes that the counterclaim made by the customer is unfounded.

During 2015 QPR had no legal disputes.

SIGNIFICANT EVENTS DURING THE YEAR

In January, QPR and the Swedish business and IT services company iStone announced that they have signed a reseller agreement for QPR ProcessAnalyzer. The partnership creates new opportunities in automated process mapping and process flow optimization, especially for those organizations using the ERP system Infor M3.

QPR and PricewaterhouseCoopers (PwC) Portugal announced in February that they have signed a consulting agreement on using QPR ProcessAnalyzer in PwC's process and operational development consulting in Portugal. QPR ProcessAnalyzer enables automated process analysis based on existing data from enterprise IT systems, utilizing technology patented in the United States by QPR.

In March, QPR completed co-determination negotiations with its personnel.

QPR signed an agreement in March on delivering software for business process management purposes to one of the world's largest lighting manufacturing companies. The signed agreement is valid for three years, and the value of the entire three-year agreement is approximately EUR 0.2 million before reseller commissions.

In March, QPR announced the launch of QPR MobileDashboard, an application that makes it even easier to access and browse actionable performance information on the go.

QPR was listed in April as a representative vendor in the Gartner Market Guide for Enterprise Business Process Analysis (EBPA). Globally the Gartner Market Guide lists 22 representative vendors offering solutions in this market.

In May, QPR received additional intellectual property protection for its process mining technology. This was already the second patent that the United States Patent and Trademark Office has awarded for the technology in question. The patented technology is utilized in QPR ProcessAnalyzer, an application developed by QPR. QPR's previous patent from 2015 related to the utilization of event instance data obtained from information management systems to help organizations analyze and improve their business processes. The latest patent now safeguards the technology behind predicting the probability of future events based on process analysis.

In June, the Company announced the release of the new QPR Suite 2016, the complete portfolio of business management tools for planning, executing and monitoring strategy-driven operations. The newest developments in QPR technology bring enhancements to user experience and enable easy integration between QPR products and third party software. New features of the QPR Suite 2016 further strengthen QPR's offering as a value-adding solution provider for strategy execution, business-IT alignment, performance and process management and process mining.

In June, QPR made a deal to deliver QPR ProcessDesigner and QPR Metrics, as well as professional consulting services to a leading European engineering group. The duration of the contract made is three years, and it is worth well over EUR 0.2 million.

In August, QPR struck a deal with a leading furniture retailer in Saudi Arabia to deliver a comprehensive, easy-to-use software solution for strategy execution and quality management. The deal is a significant market opening in Saudi Arabia, where the demand for software solutions on strategy execution and quality management is experiencing strong growth in both private and public sectors.

In September, QPR delivered process mining and process performance management software to a leading IT and business process outsourcing service provider. The customer is a member of Fortune 500, offering services to customers globally from over 50 locations worldwide. The customer uses QPR ProcessAnalyzer for continuously analyzing and monitoring the business process services provided to its customers. This helps the customer to improve the efficiency and quality of their services, and to proactively ensure that service-level agreements are met. QPR ProcessAnalyzer automatically generates a variety of visual analyses for discovering process flow charts, variations, bottlenecks and KPIs based on the customer's operational data. The three-year contract is worth approximately 0.25 million.

In November, QPR was informed that the Finnish Market Court has annulled the procurement decision made by the City of Helsinki on July 2, 2015, to choose QPR Software's offer of delivering its process modeling and enterprise architecture tool as a service. The procurement decision was made for a contract period of 4 years and valued at EUR 1.5 million. Procurement agreement has not been signed, and QPR has not delivered services or booked income based on the procurement decision. In its decision, the Market Court orders the City of Helsinki not to make a procurement agreement based on the procurement decision.

In December, QPR announced that the Ministry of Finance in Finland orders public sector enterprise architecture modeling service and related professional services from QPR. The service is available to all parties participating in public sector enterprise architecture development and approved by the Ministry's Public Sector ICT Department. The contract term covers the years 2017–2020. The contract value depends on the amount of user rights and professional services to be ordered for the architecture modeling service, but during the first two years of the contract term is EUR 0.2 million in minimum value.

OTHER EVENTS AFTER THE REPORTING PERIOD

In February 2017, QPR announced to deliver process mining software to a leading European energy company producing heat and electricity from several energy sources including but not limited to wind, hydro, solar and biomass. The company aims to use QPR ProcessAnalyzer for continuous monitoring and measurement of their customer interfacing business processes like quotation, contracting and invoicing. This customer identified process mining as a new opportunity for enhancing customer satisfaction and profitability, and chose QPR ProcessAnalyzer for its unique set of features enabled by the patented process mining technology.

In February, QPR announced to deliver process mining software and professional services to a leading global high tech company, which serves large enterprises, consumers and governments. Before investing in automation and robotics, the customer wants to make sure that investments are targeted and prioritized correctly. Process mining was evaluated as a perfect methodology for this. The company chose QPR as service and software provider for superior expertise and technical capabilities in process mining. The contract is worth over EUR 0.2 million.

OUTLOOK

Operating environment and market outlook

We estimate the growth of process mining software and related services to accelerate compared to previous year. This software product category is still relatively new, but competition and investments are increasing strongly in this market.

In developed markets, competition is expected to increase for process and enterprise architecture modeling software and performance management services. Whereas in emerging markets, meaningful growth potential for these software products is still expected.

Outlook for 2017

QPR will continue to invest in sales activities for its in-house developed process mining software and the related services. QPR estimates that this business will grow significantly this year.

Tightened competition in the software business for process and enterprise architecture modeling and performance management is expected to have a negative impact on sales in parts of QPR's reseller channel, especially in developed markets. To offset this negative impact, QPR seeks growth in emerging markets by renewing its reseller partner channel related to these products.

In its home market in Finland, QPR will especially focus to develop and deliver process modeling and performance management products. In operational development consulting, we will invest in developing and extending the key customerships.

The Company estimates that its net sales will grow in 2017, but the operating profit will remain slightly lower than previous year due to growth investments. The planned increase in costs is mainly related to accelerating software development and investments in international business.

THE BOARD OF DIRECTORS' PROPOSAL ON DIVIDEND

The distributable funds of the parent company were EUR 528 thousand on December 31, 2016. The Board of Directors proposes to the Annual General Meeting on March 28, 2017 that a dividend of EUR 0.03 per share be paid to shareholders for the financial year 2016, 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 March 30, 2017. The Board of Directors proposes to the AGM that the dividend be paid on April 7, 2017.

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 16, 2017 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	**2016**	2015
Net sales	3	**8,634**	**9,436**
Other operating income	4	18	1
Materials and services	6	419	558
Employee benefit expenses	7	5,362	6,477
Depreciation and amortization	8	866	822
Other operating expenses	9	1243	1211
Total expenses		7,891	9,069
Operating profit		**761**	**368**
Financial income	10	-4	26
Financial expenses	10	-47	-47
Financial items, net		-51	-21
Profit before tax		**710**	**347**
Income taxes	12	-142	-9
Profit for the year		**568**	**338**
Other items in comprehensive income that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		9	-21
Other items in comprehensive income, net of tax		**9**	**-21**
Total comprehensive income		**577**	**317**
Earnings per share, EUR			
Undiluted	13	0.047	0.028
Diluted	13	0.047	0.028

Consolidated Balance Sheet, IFRS

(EUR 1,000)	Note	**2016**	2015
ASSETS			
Non-current assets			
Capitalized product development expenses	14	1,747	1,695
Other intangible assets	14	208	347
Goodwill	15	513	513
Tangible assets	16	193	274
Other investments		5	5
Deferred tax assets	19	23	23
Total non-current assets		2,688	2,856
Current assets			
Trade and other receivables	20	4,619	4,592
Cash and cash equivalents	21	565	585
Total current assets		5,184	5,177
Total assets		**7,871**	**8,033**
EQUITY AND LIABILITIES			
Equity			
Share capital	22	1,359	1,359
Other funds		21	21
Treasury shares		-439	-439
Translation difference		-233	-242
Invested non-restricted equity fund		5	5
Retained earnings		2,538	2,210
Equity attributable to shareholders of the parent company		**3,251**	**2,914**
Non-current liabilities			
Deferred tax liabilities	19	0	9
Total non-current liabilities		**0**	**9**
Current liabilities			
Trade and other payables	24	4,619	4,609
Interest-bearing liabilities	23	-	500
Total current liabilities		**4,619**	**5,109**
Total liabilities		**4,619**	**5,119**
Total equity and liabilities		**7,871**	**8,033**

Consolidated Cash Flow Statement, IFRS

(EUR 1,000)	Note	**2016**	2015
Cash flow from operating activities			
Profit for the period		568	338
Adjustments for the profit			
Depreciation		866	822
Other adjustments	25	204	28
Changes in working capital:			
Increase (-)/decrease (+) in short-term non-interest bearing receivables		-110	-16
Increase (+)/decrease (-) in short-term non-interest bearing liabilities		1	-629
Interest expense and other financial expenses paid		-47	-38
Interest income and other financial income received		5	12
Income taxes paid		-66	-111
Net cash from operating activities		**1,419**	**406**
Cash flows from investing activities			
Purchases of tangible assets		-39	-302
Capitalized development expenses		-636	-813
Other investments in intangible assets		-23	-34
Net cash used in investing activities		**-698**	**-1,148**
Cash flows from financial activities			
Proceeds from short term borrowings	23	0	500
Repayments of long-term borrowings	23	-500	-
Dividends paid	22	-240	-599
Net cash used in financing activities		**-740**	**-99**
Net change in cash and cash equivalents		**-19**	**-841**
Cash and cash equivalents at the beginning of year		**585**	**1,426**
Effect of exchange rate differences		**-1**	**1**
Cash and cash equivalents at the end of year	21	**565**	**585**

Parent Company Income Statement, FAS

(EUR)	Note	**2016**	2015
Net sales	3	**8,384,275**	**8,691,936**
Other operating income	4	18,049	705
Material and services	6	404,076	573,891
Employee benefits expenses	7	5,349,497	6,175,673
Depreciation and amortization	8	932,012	742,047
Other operating expenses	9	1,217,113	1,101,123
Total expenses		7,902,698	8,592,734
Operating profit		**499,626**	**99,907**
Financial income and expense	10	-61,150	-97,103
Profit before appropriations and taxes		**438,477**	**2,804**
Appropriations			
Group contribution	11		29,000
Profit before taxes		**438,477**	**31,804**
Income taxes	12	-115,822	-10,279
Profit for the period		**322,655**	**21,525**

Parent Company Balance Sheet, FAS

(EUR)	Note	**2016**	2015
ASSETS			
Non-current assets			
Intangible assets	14	757,330	2,332,086
Tangible assets	16	192,641	274,294
Investments in group companies	17	3,525,244	268,610
Other investments	17	4,562	4,562
		4,479,778	2,879,552
Current assets			
Short-term receivables	20	4,843,543	4,935,290
Cash and cash equivalents	21	519,444	539,789
		5,362,987	5,475,079
Total assets		**9,842,765**	**8,354,631**
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		898,188	1,116,350
Treasury shares		-439,307	-439,307
Profit for the period		322,655	21,525
Total shareholders' equity		**2,145,973**	**2,063,005**
Liabilities			
Current liabilities	24	7,696,792	6,291,626
Total liabilities		**7,696,792**	**6,291,626**
Total shareholders' equity and liabilities		**9,842,765**	**8,354,631**

Parent Company Cash Flow Statement, FAS

(EUR)	**2016**	2015
Cash flow from operating activities		
Operating profit	499,626	99,907
Adjustment for the period:		
Depreciation and amortization	932,012	742,047
Non-cash transactions	-58,357	31,545
Extraordinary items	-	29,000
Financial items, net	-30,880	-26,485
Income taxes paid	-70,631	-41,824
Net cash before changes in working capital	1,271,770	834,189
Changes in working capital		
Change in short-term receivables, non-interest bearing	431	-17,224
Change in short-term liabilities, non-interest bearing	-20,305	-803,900
Change in working capital	-19,874	-821,124
Net cash from operating activities	**1,251,896**	**13,066**
Cash flows from investing activities		
Purchases of intangible assets	-659,116	-906,538
Purchases of tangible assets	-39,165	-241,735
Investments in subsidiary loans granted	77,317	-73,022
Investments in subsidiary loans receivable	88,410	424,623
Net cash used in investing activities	**-532,554**	**-796,672**
Cash flows from financing activities		
Proceeds from short term borrowings	-	500,000
Repayments of short term borrowings	-500,000	-
Dividends paid	-239,687	-594,686
Net cash used in financing activities	**-739,687**	**-94,686**
Net change in cash and cash equivalents	**-20,345**	**-878,292**
Cash and cash equivalents at the beginning of the year	**539,789**	**1,391,317**
Cash and cash equivalents received through merger		**26,764**
Cash and cash equivalents at the end of the year	**519,444**	**539,789**

Statements 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 shareholders of the parent company
Equity Jan 1, 2015	1,359	21	-221	-439	5	2,471	3,196
Dividends paid						-599	-599
Comprehensive income			-21			338	317
Equity Dec 31, 2015	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

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, 2015	12,444,863	1,359,090	-439,307	5,347	1,715,556	1,281,596	2,640,686
Dividends paid					-599,206	-599,206	-599,206
Profit for the year					21,525	21,525	21,525
Equity Dec 31, 2015	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
Comprehensive income					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

Additional information on shareholders' equity is presented on Note 22.

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 16, 2016 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

Basis 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, 2016. 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.

Starting from January 1, 2016, the Group has applied the following new and revised standards and interpretations. These changes have not materially influenced the consolidated financial statements.

- **Annual Improvements to IFRSs (2012-2014 cycle)** (effective for financial years beginning on or after 1 January 2016): 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 cycle contains amendments to four standards.
- **Amendment to IAS 1 Presentation of Financial Statements: Disclosure Initiative** (effective for financial years beginning on or after 1 January 2016). The amendments clarify the guidance in IAS 1 in relation to applying the materiality concept, disaggregating line items in the balance sheet and in the statement of profit or loss, presenting subtotals and to the structure and accounting policies in the statements.
- **Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortisation** (effective for financial years beginning on or after 1 January 2016): The amendments state that revenue-based methods of depreciation cannot be used for property, plant and equipment and may only be used in limited circumstances to amortise intangible assets if revenue and the consumption of the economic benefits of the intangible assets are highly correlated.

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

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 described in the accounting principles below. 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.

Principles of consolidation

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 shares capital or a majority holding. The Company did not own shares in joint ventures or associated companies in 2016 and 2015.

Subsidiaries acquired during the financial period are consolidated from the date which the Group has acquired control and are no longer consolidated from the date that control ceases. Intra-Group shareholdings are eliminated using the acquisition cost method. Intra-Group business transactions, internal receivables and liabilities, unrealized profits, and the Group's internal 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 2016 and 2015.

Continuity of operations

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

Foreign currency translation

The Consolidated Financial Statements have been presented in Euro, which is the operating and presentation currency of the parent company. The operating currency of subsidiaries is the local bookkeeping currency.

Transactions denominated in foreign currency have been translated into the operating currency using the exchange rate valid on the transaction date. Monetary items have been converted into the operating 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.

Income from consulting services is recognized 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 2015–2016, 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 straight-line 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 2016 and 2015.

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 2016 and 2015.

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 2016 and 2015, 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 2016 and 2015, 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. De-recognition 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 de-recognized 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 the 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 detailed and appropriate plan has been prepared and the Company has begun to implement the plan, or has announced that it will do so. Restructuring provisions are based on management's best estimate of actual expenses to be incurred e.g. from employee termination payments.

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

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

When preparing the financial statements, management is required to make estimates and assumptions regarding the future and to consider the appropriate application of accounting principles, which means that actual results may differ from those estimated. 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.

- **New IFRS 15 Revenue from Contracts with Customers** (effective for financial periods beginning on or after 1 January 2018): IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue guidance, including IAS 18 Revenue, and IAS 11 Construction Contracts, and their interpretations. Under IFRS 15 an entity shall recognise revenue in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard also increases the amount of notes to be presented. The Group has assessed the impacts of IFRS 15 as follows:
  - The essential concepts of IFRS (revenue recognition, principal versus agent considerations) have been analysed in relation to different revenue streams, and analysis will be continued during the spring 2017.
  - Based on the analysis the most significant changes recognised will be in recognition of continuous revenue deriving from the license part of software rental agreements. License revenue from these long-term agreements will be recognised at one point instead of the current recognition over time. This will lead to an earlier recognition of revenue within the year. Numerical estimates of the effects will be given during the year 2017, as soon as the reliability of the estimates has been assured.
  - Standard will be applied on 1 January 2018. The use of practical expedients will be assessed in more detail during the year 2017.

- **Clarifications to IFRS 15 Revenue from Contracts with Customers*** (effective for financial years beginning on or after 1 January 2018). The clarifications have been included in the above described estimates of the impacts of IFRS 15.
- **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 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.
- **Amendments to IAS 7 Statement of Cash Flows- 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 Group´s consolidated financial statements.

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* 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 recognises 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.

- **Annual Improvements to IFRSs** (2014–2016 cycle)* (effective for financial years beginning on or after 1 January 2017 for IFRS 12 and on or after 1 January 2018 for IFRS 1 and IAS 28). 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 cycle contains amendments to three standards. Their impacts vary standard by standard but are not significant.

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

Operating segments

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 the rental and maintenance fees are invoiced annually in advance.

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

	Group, IFRS (EUR 1,000)	
	2016	2015
Net sales by operating segment		
Operational development of organizations	8,634	9,436
Total net sales	**8,634**	**9,436**

3. Net sales

Net Sales by Product Group

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

	Group, IFRS (EUR 1,000)		**Parent company, FAS** (EUR)	
	2016	2015	**2016**	2015
Software licenses	1,316	1,427	1,255,333	1,348,691
Software maintenance services	2,776	2,737	2,497,251	2,610,185
Software rentals	1,670	1,774	1,622,380	1,730,961
Consulting services	2,872	3,498	3,009,311	3,002,098
Total net sales	**8,634**	**9,436**	**8,384,275**	**8,691,936**

Net Sales by Geographic Area

As geographic information QPR Software reports geographical areas Finland, other European countries including Russia and Turkey, and rest of the world. Net sales are reported by the customer's location.

Finland	5,634	6,499	5,633,515	6,006,054
Other European countries, including Russia and Turkey	1,748	1,740	1,679,781	1,657,747
Countries outside Europe	1,252	1,197	1,040,584	991,687
Sales to Group companies	-	-	30,395	36,448
Total net sales	**8,634**	**9,436**	**8,384,275**	**8,691,936**

4. Other operating income

Governments grants	18	0	17 774	-268
Other items	0	1	275	973
Total	**18**	**1**	**18,049**	**705**

5. Acquired business operations, parent company

No acquisitions were made in 2016 and 2015. The subsidiary acquired in 2011, Nobultec Ltd., was merged into the Parent company on December 31, 2015.

At the end of 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 the 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)	
	2016	2015	**2016**	2015
Materials and services	419	558	404,076	573,891

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

7. Employees and related parties

Salaries	4,345	5,290	4,335,231	5,045,050
Pension expenses - defined contribution plans	817	954	814,474	906,591
Other personnel expenses	201	233	199,792	224,031
Total	**5,363**	**6,477**	**5,349,497**	**6,175,672**
Average number of personnel during the year	71	86	71	82

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 2016 and 2015.

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 pay and bonus accruals for Management

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

Salaries and other short-term benefits:				
Members of the Board of Directors	76	76	75,704	75,704
Chief Executive Officer Jari Jaakkola	196	196	195,569	196,229
Executive Management Team	499	567	499,396	567,145
Total	**771**	**839**	**770,669**	**839,078**

Board fees by member:		
Leskinen Vesa-Pekka, Chairman of the Board	25,232	25,232
Eräkangas Kirsi	16,824	16,824
Kontio Jyrki	0	4,206
Malmberg Juho	16,824	12,618
Piela Topi	16,824	16,824
Total	**75,704**	**75,704**

QPR Software Plc's Annual General meeting held on March 22, 2016 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 35 thousand in 2016 (2015: 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 2016, 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. For financial year 2016 about 10 thousand euros (2015: EUR 8 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)	
	2016	2015	**2016**	2015
Intangible assets	746	680	811,194	599,937
Tangible assets				
Machinery and equipment	121	142	120,817	142,110
Total	**866**	**822**	**932,011**	**742,047**

No write-downs of the assets have been made during 2015 and 2016.

9. Other operating expenses

Non-statutory indirect employee costs	223	248	223,064	243,688
Expenses of office premises	420	373	419,286	372,965
Travel expenses	169	208	168,915	200,481
Marketing and other sales promotion	137	227	137,219	227,425
Computers and software	241	264	240,924	258,942
External services	458	383	435,304	322,105
Doubtful receivables and bad debts	57	49	57,174	24,409
Capitalized product development expenses	-634	-710	-633,876	-710,436
Other expenses	172	168	169,102	161,544
Total	**1,243**	**1,210**	**1,217,112**	**1,101,123**

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

	Group, IFRS (EUR 1,000)		**Parent company, FAS** (EUR)	
	2016	2015	**2016**	2015
Auditing	23	27	21,000	25,281
Tax consulting	23	-	23,357	-
Other services	9	-	8,967	-
Total	**55**	**27**	**53,324**	**25,281**

Product development expenses incurred during the year

Expenses charged to income	1,197	1,038	1,196,546	1,038,461
Capitalized expenses	621	783	621,408	782,751
Total	**1,818**	**1,821**	**1,817,954**	**1,821,212**

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

Interest income from loans and other receivables	1	1	2,711	6,297
Interest expenses from loans	-3	-2	-7,814	-5,711
Other financial income and expenses	-9	0	-979	216
Exchange rate differences	-40	-20	-55,067	-97,905
Total	**-51**	**-21**	**-61,150**	**-97,103**

Exchange rate differences in the income statement

Exchange rate differences included in net sales	10	63	10,518	60,935
Exchange rate differences included in expenses	0	1	143	1,066
Exchange rate gains in financial income	0	24	7	756
Exchange rate losses in financial expenses	-40	-44	-55,074	-98,661
Total	**-30**	**45**	**-44,407**	**-35,904**

11. Appropriations

Group contributions received:

	Group, IFRS (EUR 1,000)		**Parent, FAS** (EUR)	
	2016	2015	**2016**	2015
Group contributions received				
QPR CIS Oy	-	-		29,000
Total	**-**	-		**29,000**

12. Income tax expense

Taxes for the financial year	126	35	94,542	-3,524
Taxes from previous years	9	-18	4,177	12,697
Withholding tax	17	10	17,103	1,106
Deferred tax	-9	-19	-	-
Total	**142**	**9**	**115,822**	**10,279**

	Group, IFRS (EUR 1,000)	
	2016	2015
Profit before taxes	710	347
Tax expense calculated at the Finnish tax rate	142	69
Effect of different tax rates in foreign subsidiaries	-14	-18
Other items	-6	-53
Withholding tax	17	10
Non-deductible expenses	3	1
Tax expense in the comprehensive income statement	**142**	**9**

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.

Profit for the period attributable to shareholders of the parent company (EUR thousand)	568	338
Number of shares outstanding (1,000 pcs)	11,988	11,988
Earnings per share (EUR/share) Undiluted and diluted	0.047	0.028

The Group did not have any dilutive instruments in 2016 and 2015.

14. Intangible assets

Group (EUR 1,000), IFRS	**Computer software**	**Other intangible assets**	**Capitalized product development**	**Total**
Acquisition cost Jan 1, 2015	1,023	2,388	3,032	6,443
Accum. amortization and write-downs Jan 1, 2015	-794	-2,176	-1,658	-4,628
Book value Jan 1, 2015	**228**	**212**	**1,374**	**1,814**
Increases	5	118	783	906
Amortization for the period	-74	-144	-462	-680
Acquisition cost Dec 31, 2015	1,028	2,506	3,815	7,349
Accum. amortization and write-downs Dec 31, 2015	-868	-2,320	-2,120	-5,308
Book value Dec 31, 2015	**160**	**187**	**1,695**	**2,041**
Increases, Transfers	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, 2015	-931	-2,434	-2,689	-6,054
Book value Dec 31, 2016	**118**	**75**	**1,762**	**1,955**

Parent company (EUR), FAS				
Acquisition cost Jan 1, 2015	998,949	1,007,089	3,032,494	5,038,531
Accum. amortization and write-downs Jan 1, 2015	-770,457	-921,646	-1,658,698	-3,350,802
Book value Jan 1, 2015	**228,491**	**85,443**	**1,373,795**	**1,687,729**
Increases	5,463	456,080	782,750	1,244,294
Amortization for the period	-74,604	-63,394	-461,939	-599,937
Acquisition cost Dec 31, 2015	1,004,412	1,463,169	3,815,244	6,282,825
Accum. amortization and write-downs Dec 31, 2015	-845,061	-985,040	-2,120,637	-3,950,738
Book value Dec 31, 2015	**159,350**	**478,129**	**1,694,606**	**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	-2,211,403
Book value Dec 31, 2016	**116,421**	**381,741**	**259,168**	**757,330**

15. Goodwill

Group (EUR 1,000), IFRS	**2016**	2015
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 2016 and the discount rate used in impairment testing was 8.5% (2015: 8.6).

The recoverable amount evaluated in the impairment test is based on the 2017 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 1.5 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, 2015	**175**
Increases	242
Depreciation for the period	-142
Acquisition cost Dec 31, 2015	1,707
Accum. depreciation and write-downs Dec 31, 2015	-1,432
Book value Dec 31, 2015	**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**

Parent company (EUR), FAS	
Book value Jan 1, 2015	**174,668**
Increases	241,734
Depreciation for the period	-142,110
Acquisition cost Dec 31, 2015	1,666,935
Accum. depreciation and write-downs Dec 31, 2015	-1,392,643
Book value Dec 31, 2015	**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	**192,641**

17. Shares in subsidiaries and other entities

The parent company of the Group is QPR Software Plc.

		Parent company, FAS	
Subsidiaries	Domicile	**2016**	2015
Owned directly by the parent company:			
QPR CIS Oy	Helsinki, Finland	100%	100%
QPR Services Oy	Helsinki, Finland	100%	100%
QPR Software AB	Stockholm, Sweden	100%	100%
QPR Software Inc.	San Jose, CA, USA	100%	100%
Owned indirectly by the parent company:			
OOO QPR Software	Moscow, Russia	100%	100%

	Parent company, FAS (EUR)	
Shares in subsidiaries	**2016**	2015
Acquisition cost Jan 1	268,610	1,186,813
Increases	3,256,634	-
Decreases	-	-918,202
Acquisition cost Dec 31	3,525,244	268,610
Book value Dec 31	**3,525,244**	**268,610**
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	**3,529,806**	**273,172**

18. Long-term receivables

At the end of 2016 and 2015, the Group or the Parent company did not have any long-term receivables.

19. Deferred tax assets and liabilities

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

	Group, IFRS (EUR 1,000)		**Parent company, FAS** (EUR)	
	2016	2015	**2016**	2015
Jan 1	23	23	-	-
Recorded in comprehensive income	-	-	-	-
Dec 31	**23**	**23**	**-**	**-**

The subsidiary in the United States, QPR Software Inc., has tax loss carryforwards after the official tax filings 2016 totaling approximately EUR 234 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:

Jan 1	9	25
Recorded in comprehensive income	-9	-16
Dec 31	**0**	**9**

20. Trade and other receivables

	Group, IFRS (EUR 1,000)		Parent company, FAS (EUR)	
	2016	2015	**2016**	2015
Trade receivables	4,019	3,625	3,873,970	3,515,582
Accrued income and prepaid expenses	414	668	353,337	606,526
Other receivables	185	299	144,500	264,129
Current receivables from Group companies	-	-	471,736	549,053
Total	**4,619**	**4,592**	**4,843,543**	**4,935,290**

Geographical breakdown of trade receivables:

Finland	2,551	2,536	2,551,286	2,535,911
Other European countries	447	450	447,362	448,987
Countries outside Europe	1,021	639	875,322	530,683
Total	**4,019**	**3,625**	**3,873,970**	**3,515,582**

Currency breakdown of trade receivables:

	Group, IFRS			
(EUR 1,000)	**2016**	**%**	2015	%
EUR (Euro)	3,239	80.6	2,960	81.7
USD (U.S. Dollar)	377	9.4	334	9.2
SEK (Swedish Krona)	135	3.4	145	4.0
ZAR (South African Rand)	155	3.8	140	3.9
JPY (Japanese Yen)	36	0.9	13	0.3
GBP (Pund Sterling)	48	1.2	2	0.0
RUB (Russian Ruble)	30	0.7	32	0.9
Total	**4,019**	**100.0**	**3,625**	**100.0**

Age analysis of trade receivables:

Not due	3,248	80.8	3,177	87.6
0–90 days overdue	590	14.7	280	7.7
90–180 days overdue	131	3.3	105	2.9
More than 180 days overdue	51	1.3	63	1.7
Total	**4,019**	**100.0**	**3,625**	**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 57 thousand (49) on trade receivables have been recorded in comprehensive income.

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

	Parent company, FAS (EUR)	
	2016	2015
Accrued income	240,477	447,922
Prepaid expenses	112,861	158,604
Total	**353,337**	**606,526**

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

QPR CIS Oy	217,876	296,103
QPR Services Oy	253,860	252,950
Total	**471,736**	**549,053**

21. Cash and cash equivalents

	Group, IFRS (EUR 1,000)		Parent company, FAS (EUR)	
	2016	2015	**2016**	2015
Bank accounts	565	585	519,444	539,789
Total	**565**	**585**	**519,444**	**539,789**

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 2016 and 2015.

Other funds

Includes the reserve fund in subsidiary QPR Software AB.

Treasury shares

Treasure 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)	
	2016	2015
Retained earnings	1,137,875	1,715,556
Profit for the period	322,655	21,525
Dividends paid	-239,687	-599,206
Treasury shares	-439,307	-439,307
Invested non-restricted equity fund	5,347	5,347
Activated product development expenses	-259,168	
	527,715	**703,915**

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

Non-current liabilities	Group, IFRS (EUR 1,000)		Parent company, FAS (EUR)	
	2016	2015	**2016**	2015
Deferred tax liabilities	0	9	-	-
Total	**0**	**9**	**-**	**-**

Interest-bearing loans

Loans from banks, due during the following year	-	500	-	500,000

Interest-bearing loans consist of a 1.0% fixed-rate short term loan, whereby an interest rate sensitivity analysis is not meaningful.

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

24. Trade payables and other liabilities

Trade payables	169	135	169,444	135,328
Accrued expenses and prepaid income	3,033	2,932	2,787,736	2,879,823
Advances received	852	1,209	834,005	1,190,855
Other liabilities	565	333	564,149	332,572
Current liabilities to Group companies			3,341,458	1,253,047
Total	**4,619**	**4,609**	**7,696,792**	**5,791,625**

The amount of trade payables in foreign currency was low in 2016 and 2015.

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)	
	2016	2015
Holiday pay, including social costs	448,802	745,437
Bonuses, including social costs	29,439	71,187
Prepaid income	2,208,464	1,998,738
Other accrued expenses	101,031	64,460
Total	**2,787,735**	**2,879,823**

Breakdown of the Parent Company's liabilities to Group companies:

QPR CIS Oy	-	26,843
QPR Services Oy	2,000,000	-
QPR Software AB	549,856	530,779
QPR Software Inc	791,602	691,706
OOO QPR Software	-	3,719
Total	**3,341,458**	**1,253,047**

25. Adjustments to the cash flow from operating activities

	Group, IFRS (EUR 1,000)	
	2016	2015
Accrued and deferred taxes	142	28
Other items	60	0
Total	**202**	**28**

26. Commitments and contingent liabilities

	Group, IFRS (EUR 1,000)		Parent company, FAS (EUR)	
	2016	2015	**2016**	2015
Business mortgage (held by the company)	1,390	1,392	1,337,288	1,337,300
Lease liabilities and rent commitments				
Maturing in less than one year	289	357	289,135	356,911
Maturing during 1–5 years	345	89	345,434	88,576
Total	**2,024**	**1,838**	**1,971,858**	**1,782,787**

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 16, 2016), valid for the time being. The notice period is 6 months. First notice day is September 30, 2018.

Rental guarantees totaling EUR 11 thousand are included in other current receivables in the balance sheet.

The Parent Company has a EUR 500 thousand credit line in Nordea for short-term financing needs. No amounts were withdrawn under the credit line at the end of 2016 and 2015.

On December 31, 2016 and 2015 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 67 thousand, equaling 1.7% of the total value of all trade receivables. Correspondingly, if the value of all non-EUR invoicing currencies were to decrease by 10%, the value of trade receivables would decrease by EUR 78 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 2016 and 2015, 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	735	735
Total	**735**	**735**

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 significant 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 2014–2016

Group (EUR 1,000), IFRS	**2016**	2015	2014
Net sales	8,634	9,436	9,541
Growth of net sales, %	-8.5	-1.1	9.8
Operating profit	761	368	1,095
% of net sales	8.8	3.9	11.5
Profit or loss before tax	710	347	1,065
% of net sales	8.2	3.7	11.2
Profit for the period	568	338	890
% of net sales	6.6	3.6	9.3
Return on equity, %	18.4	11.1	29.3
Return of investments, %	24.6	10.9	35.4
Interest-bearing liabilities	-	-	-
Cash and cash equivalents	565	585	1,426
Net liabilities	-565	-85	-1,426
Equity	3,252	2,914	3,196
Gearing, %	-17.4	-2.9	-44.6
Equity ratio, %	46.3	42.7	44
Total balance sheet	7,871	8,033	8,527
Investment in intangible and tangible assets	698	1,148	915
% of net sales	8.1	12.2	9.6
Research and development expenses	1,818	1,821	1,847
% of net sales	21.1	19.3	19.4
Personnel average for period	71	86	81
Personnel at the beginning of period	83	78	79
Personnel at the end of period	63	83	78

29. Key figures per share 2014–2016

Group, IFRS	**2016**	2015	2014
Earnings per share, EUR	0.047	0.028	0.074
Equity per share, EUR	0.261	0.234	0.257
Dividend per share*, EUR	0.030	0.020	0.050
Dividend per profit, %	63.3	70.9	67.6
Effective dividend yield, %	2.5	1.7	5.0
Price/earnings ratio (P/E)	25.3	42.6	13.6
Development of share price			
Average price, EUR	1.08	1.39	0.97
Lowest closing price, EUR	0.97	1.02	0.89
Highest closing price, EUR	1.26	1.96	1.10
Closing price on Dec 31, EUR	1.20	1.20	1.01
Market capitalization on Dec 31, EUR 1,000	14,385	14,385	12,108
Development of trading volume			
Number of shares traded, 1,000 pcs	902	4,558	2,828
% of all shares	7.5	38.0	23.6
Number of shares on Dec 31, 1.000 pcs	12,445	12,445	12,445
Average number of shares outstanding	11,988	11,991	11,991

* Year 2016: The Board of Director's proposal to the Annual General Meeting to be held on March 28, 2017.

30. Capital management

Group (EUR 1,000), IFRS	**2016**	2015
Interest-bearing loans	-	500
Cash and cash equivalents	565	585
Net liabilities	-565	-85
Shareholders' equity	3,252	2,914
Gearing, %	-17	-2.9
Equity ratio, %	46	42.8
Total balance sheet	7,871	8,033

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 16, 2017

QPR Software Plc
Board of Directors

Vesa-Pekka Leskinen
Chairman of the Board

Kirsi Eräkangas
Board member

Juho Malmberg
Board member

Topi Piela
Board member

Jari Jaakkola
Chief Executive Officer

Auditor's note

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

Helsinki, Finland, February 28, 2017

KPMG Oy Ab
Authorized Public Accountants

Kirsi Jantunen
Authorized Public Accountant

Auditor's Report

TO THE ANNUAL GENERAL MEETING OF QPR SOFTWARE PLC

This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

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 2016. The financial statements comprise the consolidated balance sheet, comprehensive income statement, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, cash flow statement and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial performance, financial position 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.

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.

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.

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.

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.

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.

We evaluated the revenue recognition principles by reference to applicable financial reporting standards, the company's accounting practices and contract terms.

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 1.7 million, represents 54 percent of the consolidated equity.

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.

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.

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 a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance 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 skepticism throughout the audit. We also:

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

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

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

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

Other Reporting Requirements

Other Information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information 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 report of the Board of Directors and the Annual 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 28 February 2017

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 Tuesday March 28, 2017 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 16, 2017 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 March 20, 2017, 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 16, 2017, 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 March 23, 2017 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 shareholders' register of the Company, the issuing of proxy documents and registration for the Annual General Meeting from his/her custodian bank.

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 2016. The Board of Directors proposes to the Annual General Meeting that dividend will be paid on April 7, 2017.

Financial information in 2017

In 2016, QPR Software Plc will publish its financial information as follows:

- Interim Report 1–3/2017:
  Thursday, April 27, 2017
- Interim Report 1–6/2017:
  Thursday, August 3, 2017
- Interim Report 1–9/2017:
  Thursday, October 26, 2017

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.

Changes of addresses

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

Our customers and partners on QPR

Our customers and partners have given the following testimonials, among others, in 2016:

"QPR Metrics is now an integral part of the corporate management meetings. It is not the mother of all data, but it provides management with consolidated KPIs with the needed status and trend. There is no other tool with which I can create a report as easily as with QPR Metrics."

Roland Pfau, Business Analyst and Project Manager, DIEHL Controls

"BUILD is the single source of truth for processes in Tata Teleservices. The value of a single, integrated process repository need not be emphasised. It helps in identifying value streams and supports reengineering, enables digitization, acts as a knowledge source for an incumbent, and a reference for compliance audits. It is a living document, to increase on all aspects with time – process skills of people, IT automation and infusion of simplicity into processes. QPR has been an able tool in our above journey."

Sugathan Ramasubrahmanyan, Assistant Vice President of Quality & Delivery Excellence, Tata Teleservices

"AMAG's QPR based strategy cockpit is the central management information system containing everything management needs to align business with strategy and increase AMAG's success in the future."

Krystian Lasek, CFO at AMAG Import

"The ISO certificate requires all healthcare providers to listen to their clients' needs and analyse and respond to complains – therefore ultimately improving service quality. Regional healthcare providers previously took care of the quality of their services independently. From now on, this will be more efficient as it will be handled centrally and systematically with QPR."

R. Lingiene, Director of the Vilnius Regional Public Healthcare Department

"QPR is critical for the creation, improvement, and sustainability of our ISO 9001 management system. QPR stores information on our ways of working, project performance, and business results in a central data storage. ISO 9001 auditors can easily get all answers to all questions from QPR."

Kivanç Toklu, Director of Quality and Process Management, Hexagon Studios

Contact information

QPR Software Plc

Domicile: Helsinki (Finland)
Business ID: 0832693-7

Official address:
Huopalahdentie 24,
00350 HELSINKI,
Finland

Head Office

Huopalahdentie 24,
00350 HELSINKI,
Finland
Tel: + 358 290 001 150

Oulu office

Kiviharjunlenkki 1 C
90220 OULU
Finland
Tel: + 358 290 001 150

Customer Care:

Tel: +358 290 001 156
customercare@qpr.com

QPR-online community:

community.qpr.com

Company web site:

www.qpr.com

QPR

Dare to improve.