2018

ANNUAL REPORT

QPR Software

Table of Contents

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.

Dare to improve.

Year 2018 - Key Events

Q1

- QPR announced that it delivered process mining software to an international medical device company Terumo Europe. Read more about the business case on page 6.
- Piraeus Bank, the largest bank in Greece, chose QPR as its process mining and process performance monitoring solution provider, thanks to QPR ProcessAnalyzer's powerful yet easy-to-use functionality and comprehensive dashboarding capability.
- QPR was chosen to deliver process mining software to Fennovoima, a company constructing a new nuclear powerplant in Finland. Read more about the Fennovoima story on page 5.

Q2

- QPR Software was listed as a Representative Vendor in the Gartner Market Guide for Process Mining.
- The Finnish Ministry of the Interior chose QPR Software as their preferred provider of Enterprise Architecture consulting services.
- QPR delivered process mining software to a major European financial services company that is active in over 30 countries.

Q3

- QPR Software delivered process mining software and professional services to a leading high-tech company. The company employs close to 100,000 people all over the world. The objective for the company is to significantly improve efficiency, cost effectiveness and process automation with QPR ProcessAnalyzer. Process mining has been identified as a fundamental element in reaching the set objectives.

Q4

- QPR delivered QPR EnterpriseArchitect and QPR Metrics software to a major global electrical equipment company. The customer is to use the software for business process management purposes and as the backbone of their quality management system.
- QPR Software signed an agreement on delivering QPR ProcessAnalyzer software to a leading telecommunications operator active in one of the largest telecommunication markets in Europe.

Mission, Strategy and Markets

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

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

We innovate, develop and sell software for analyzing, monitoring and modeling organizational operations. Furthermore, we offer customers consulting services in operational development and digital business optimization.

In our product development we focus on meeting the challenges our client organizations face, especially in leading and optimizing their operations in a digitalizing world. Our primary focus area is process mining and analytics. We believe that this market will grow significantly, as companies collect increasing amounts of transaction and event data from their operations.

We will further accelerate product development by increasing our resources in a controlled manner. In software development, we place special focus on excellent user experience.

We also actively seek strategic partnerships to strengthen our product development and international software sales.

Strategic Targets

Our target is to grow our net sales by an average of 15 - 20% per annum over the next three years. The target is mainly based on growth in international software sales and consulting services in our home market, Finland.

We foresee significant growth potential especially in the process mining and analytics business, where we aim for an annual growth of more than 50%. Our target is to gain a significant market share in this rapidly growing market.

Over the next few years, we seek growth especially in our international software sales.

Our Offering

We offer our customers tools for modeling, measuring and analyzing their operations efficiently. Our tools provide customers insight into their operations, enabling them to streamline and improve their business operations.

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

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

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

In international markets, we sell software through our own direct sales force, as well as an extensive reseller network extending to over 50 countries. The most sold product in our reseller network is our performance management software, QPR Metrics.

Our Markets

The process mining and analytics market is in an early phase of its life cycle and is growing rapidly. According to market research companies, the size of this global software market in 2018 was approximately EUR 100 - 200 million. The rapid growth is expected to continue in the coming years, and the market size to exceed EUR 1 billion in 2023.

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

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

Customer Cases: Two Success Stories in 2018

QPR tools help organizations to reach their objectives. We help customers to harmonize and develop processes, deploy best practices, reduce rework, increase customer satisfaction, compare operations through several dimensions, such as region, team, or unit; and communicate development targets and needs throughout the whole organization.

Case Fennovoima: Process Perfection with QPR Solutions

Fennovoima implemented QPR's solutions to establish an integrated, process-based enterprise management system and to share knowledge throughout the organization. The Fennovoima Management System is powered by QPR EnterpriseArchitect and combined with QPR consulting to provide solutions for process development and documentation. Fennovoima is also using QPR ProcessAnalyzer to optimize their document review and approval process and the performance of said process.

Fennovoima found that the Fennovoima Management System and QPR ProcessAnalyzer greatly benefit process improvement. With a great start in using the products, Fennovoima looks forward to further success. "The first results have shown us the path forward", says Marko Juslin, Information Management Manager. Fennovoima is looking forward to extending the use of QPR ProcessAnalyzer to other major processes in their organization. The Fennovoima Management System will be complemented with new measures and metrics based on the analysis results from QPR ProcessAnalyzer in order to create a centralized view of all operations running inside Fennovoima.

"QPR Software's products are top of the line when process development is considered. The QPR business operating system is great for developing processes and provides a quick way for creating a draft of a process plan. QPR products are fully usable in every step of process management, from planning to execution."

- Marjo Räisälä, Quality Development Manager – Fennovoima

"QPR ProcessAnalyzer clearly shows the process as it occurs in real life with concrete visual presentations. It leaves no room for speculation, as the facts are instantly visible. "

- Marko Juslin, Manager, Information Management - Fennovoima

Case Terumo Europe: Fact-Based View on Processes with QPR ProcessAnalyzer

Terumo Europe had identified the need to benefit from the data available in their IT systems concerning their business processes. They found the innovative solution they were looking for in QPR ProcessAnalyzer. The software helped Terumo understand their business needs in improving processes and to visualize where added value was achievable. Terumo's process mining project was initiated in January 2018 and the go-live of the solution was May 1, 2018.

Terumo Europe's focus in process mining is on the order-to-cash and purchase-to-pay processes. With QPR ProcessAnalyzer the company quickly visualized what these processes look like based on the data found in IT systems.

"The good thing is that in three months you build something that's a complete x-ray of the processes, and you can bring those facts on the table without debates. It's coming right out of your system and having that is a big power, allowing to make decisions with fact-based information."

Siem Jaspers, Supply Chain Analyst – Terumo Europe

Terumo Europe (Europe, Middle East and Africa) is a core player in the EMEA healthcare market, providing best-in-class quality products and services. It is a subsidiary of the Japanese Terumo Corporation.

Review by the CEO

QPR's business progressed in line with our strategy, and net sales grew strongly in international software sales. International net sales increased 22% in 2018, driven by growth in software sales. In the last quarter of the year, growth in international net sales accelerated and rose by 44% when compared year-over-year.

In 2018, we delivered process mining and analytics software to many large global enterprises. Demand for process mining software was strongest in Europe, but in recent times, the demand has been growing fastest in the United States. In the telecommunications industry, we made many significant software deals both with global telecom equipment vendors, as well as telecommunications operators. Furthermore, interest towards process mining has increased significantly in the banking and finance sector.

We achieved great results also in performance management software sales in the Middle East and in our consulting business in Finland.

We will continue investing in our growth businesses. Our target is to grow international software sales, as well as our consulting services supporting QPR´s software business in Finland. In line with our strategy, sales of consulting services around operational development and digital business optimization increased towards the end of 2018.

In the future, we will focus on further developing our process mining software and seek to strengthen its position in the rapidly growing market. We seek to grow our international software sales through direct sales, our reseller partner network and new strategic partnerships.

I would like to thank all of our customers, partners, personnel and shareholders for their valuable contribution and collaboration in 2018.

Jari Jaakkola

Chief Executive Officer

Board of Directors

QPR Board of Directors held 13 meetings in 2018 (14). The average attendance at meetings was 100% (98,5%). The Board did not establish any committees. The Board of Directors made a self-assessment of its activities. In 2018, the Chairman of the Board and Board members received an annual emolument of EUR 25,230 and EUR 16,820, respectively. No separate meeting attendance fees were paid.

The Annual General Meeting held on April 12, 2018 elected the following four (4) members to the Board of Directors.

Vesa-Pekka Leskinen

b. 1950

Chairman of the Board since January 2006

Member of the Board since July 2003

Independent of the Company

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

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

Mr. Leskinen holds a degree in MAT.

Vesa-Pekka Leskinen held 851,400 shares of QPR Software Plc on December 31, 2018. Kauppamainos Oy, whose majority shareholder Mr. Leskinen is, held 475,170 shares of QPR Software Plc on December 31, 2018.

Juha Häkämies

b. 1970

Member of the Board since March 2017

Independent of the Company and its significant shareholders

Since February 2019 Mr. Juha Häkämies has been the Senior Vice President (SVP) Corporate Development of Qt Company Plc. Prior to this he managed the Vice President (VP) Strategy position at Gasum Ltd with responsibility on company's strategy development, digitalization, R&D, M&A and HSEQ.

Earlier Mr. Häkämies worked for Clear Funding Ltd (now part of TruFin Plc) in the United Kingdom as the Chief Development Officer (2015 – 2016). From 2007 to 2015 he worked for software company Basware: first as a partner

(SVP, Sales & Business Management) at Basware E-invoices and thereafter the VP of Basware's Business Development and M&A. From 2005 to 2006, Mr. Häkämies worked as the VP of Business Development at SysOpen Digia (now Digia Oyj) overseeing telecom sales and service operations. Earlier Mr. Häkämies served 11 years in several positions at Sonera and later at TeliaSonera. In 2004 Mr. Häkämies founded MobileCheck Oy, a company specialized in analyzing and developing telecom service providers' service offerings.

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

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

Juha Häkämies did not hold shares of QPR Software Plc on December 31, 2018.

Topi Piela

b. 1962

Member of the Board since March 2012

Independent of the Company

Mr. Topi Piela is the CEO of Umo Invest Oy and Balance Capital Oy, deputy CEO of Umo Capital Oy and a member of the Directors' Institute Finland. Mr. Piela is a member of the Board of Directors of Asuntosalkku Oy, JJPPPT Holding Oy, FoilChat Ltd and Rundit Oy. He is also a member of the Finnish Broadcasting Company YLE Pension Fund investment committee, and the Alfred Kordelin Foundation's commerce committee.

Earlier in his career, Mr. Piela has served as the Managing Director of Finvest Oyj and Amanda Capital Plc, after which he joined the Board of Directors of Amanda, serving both as a member and Chairman of the Board. Mr. Piela has also held many other senior management positions, such as Investment Director at Ilmarinen Mutual Pension Insurance Company, Managing Director and co-founder of Arctos Rahasto Oy, Securities and Investment Director of Ålandsbanken Abp. Mr Piela has sat on several investment committees of both Finnish and European private equity funds.

Mr. Piela holds an M.Sc. in Economics, is a certified CEFA holder and has passed the Finnish Advanced Insurance Examination.

Topi Piela held 1,052 shares of QPR Software Plc on December 31, 2018. Umo Capital Oy, whose Deputy CEO Mr. Piela is, held 1,660,000 shares of QPR Software Plc on December 31, 2018.

Taina Sipilä

b. 1978

Member of the Board since March 2017

Independent of the Company and its significant shareholders

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

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

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

Taina Sipilä did not hold shares of QPR Software Plc on December 31, 2018.

Executive Management Team

Jari Jaakkola

b. 1961

Chief Executive Officer since January 2008

Member of the Executive Management Team since August 2006

Mr. Jari Jaakkola worked from August 2006 to January 2008 as Senior Vice President of Business Operations at QPR Software Plc, before being appointed Chief Executive Officer. Mr. Jaakkola's previous experience covers leadership positions at Sonera Corporation´s Group Management Team and the 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 has also worked for communications agencies and accumulated broad experience in working in international advertising and media.

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

Jari Jaakkola held 241,000 shares of QPR Software Plc on December 31, 2018. Value FM Ltd, a company fully owned by Mr. Jaakkola, held 7,000 shares of QPR Software Plc on December 31, 2018.

Tero Aspinen

b. 1985

Vice President, Middle East and Performance Management since January 2017

Member of the Executive Management Team since January 2017

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

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

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

Tero Aspinen did not hold shares of QPR Software Plc on December 31, 2018.

Matti Erkheikki

b. 1978

Senior Vice President, Process Mining and Strategy Management since January 2017

Member of the Executive Management Team since July 2007

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

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

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

Matti Erkheikki did not hold shares of QPR Software Plc on December 31, 2018. His spouse held 2,000 shares of QPR Software Plc on December 31, 2018.

Jaana Mattila

b. 1966

Chief Financial Officer since June 2015

Member of the Executive Management Team since June 2015

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

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

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

Jaana Mattila did not hold shares of QPR Software Plc on December 31, 2018.

Miika Nurminen

b. 1969

Senior Vice President, Operational Development since June 2015

Member of the Executive Management Team since January 2015

Mr. Miika Nurminen is responsible for QPR's Operational Development Business, including consulting and software, in QPR's domestic market, Finland. He is also responsible for managing internal ICT.

Mr. Nurminen has been employed by QPR since 1999. From 1999 to 2008, his career advanced from Consultant to Senior Consultant, Head of QPR Customer Care and ICT, to reach Senior Product Manager. Between the years of 2000 and 2001, he also worked as a Consultant at QPR's then US office in Minneapolis. In 2008, he was appointed Director of Product Development, and in 2009 the Director of Business Process Management Products. Between 2011 and 2014, Mr. Nurminen served as the Head of Enterprise Architecture Solutions. Prior to QPR, Mr. Nurminen held various positions, such as Application Specialist and Founding Partner at Planway Oy and Software Engineer at ICL Data Finland Ltd.

Mr. Nurminen holds a Master's degree in Business Information Technology.

Miika Nurminen did not hold shares of QPR Software Plc on December 31, 2018.

Jaakko Riihinen

b. 1958

Senior Vice President, Products & Technology since August 2012

Member of the Executive Management Team since June 2012

Mr. Jaakko Riihinen was responsible for QPR's software product portfolio, product strategy, product management and product development until March 3, 2019.

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

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

Jaakko Riihinen held 30,000 shares of QPR Software Plc on December 31, 2018.

M.Sc. (Engineering) Pekka Keskiivari started as Senior Vice President, Products & Technology on March 4, 2019. Before starting at QPR, Pekka Keskiivari was Chief Technology Officer at Diktamen Oy.

Report of the Board of Directors

Summary for the full year 2018

- Net sales amounted to EUR 10,047 thousand (2017: 8,942) with growth of 12%
- Recurring revenue accounted for 54% of net sales (54).
- Operating result rose to EUR 521 thousand (-110).
- Operating margin improved to 5.2% (-1.2).
- Result before taxes was EUR 335 thousand (-148).
- Result for the period was EUR 320 thousand (-294).
- The Board of Directors proposes to the Annual General Meeting that no dividend will be paid for the financial year 2018.

Business operations

QPR Software´s mission is to make customers efficient and agile in their operations. The company innovates, develops and sells software for analyzing, monitoring, and modeling organizations' operations. Furthermore, we offer customers a wide variety of consulting services.

QPR Software reports on one operating segment: Operational development of organizations. In addition to this, the Company reports revenue for the following product and service categories: Software licenses, Software maintenance services, Cloud services and Consulting. Recurring revenue reported by the Company consists of Software maintenance services, Cloud services and Software license sales, in cases where user rights are invoiced upfront for the financial period under a contract of indefinite duration. These contracts are automatically renewed at the end of the agreed period, usually one year, unless terminated within notice period.

The geographical areas reported are Finland, the rest of Europe (including Russia and Turkey), and the rest of the world. Net sales are reported according to customer location.

Net sales

Net sales for 2018 were EUR 10,047 thousand (8,942), resulting in an increase of 12%. Recurring revenue accounted for 54% (54) of net sales. Software license net sales grew by 23% from previous year and amounted to EUR 2,685 thousand (2,184). The increase was driven by international software sales.

Software maintenance net sales decreased by 8% from the previous year. Cloud service net sales grew by 61% as compared to previous year. In line with the industry's general development, customers are increasingly selecting to use software as a cloud-based service. Especially our process mining and analytics customers using QPR ProcessAnalyzer tend to opt for this choice.

Consulting net sales increased by 14%, which resulted mainly from a growth in consulting sales around operational development, digitalization and change management in the Finnish market. In addition, new deployments of our performance management software, QPR Metrics, at customer sites in the Middle East had a positive impact on consulting net sales.

International net sales grew 27%, driven by growth in software sales. QPR ProcessAnalyzer deliveries to European customers increased, as well as performance management software deliveries to customers in the Middle East. Net sales in Finland increased by 2% due to growth in consulting net sales.

Of the Group net sales, 54% (59) derived from Finland, 28% (26) from the rest of Europe (including Russia and Turkey) and 18% (15) from the rest of the world.

Net sales by product group

EUR in thousands	Group, IFRS 2018	2017	Change, %
Software licenses	**2,685**	2,184	23
Software maintenance services	**2,989**	3,260	-8
Cloud services	**1,316**	819	61
Consulting	**3,057**	2,680	14
Total	**10,047**	**8,942**	**12**

Net sales by geographic area

EUR in thousands	Group, IFRS 2018	2017	Change, %
Finland	**5,444**	5,316	2
Europe, including Russia and Turkey	**2,817**	2,288	23
Rest of the world	**1,786**	1,337	34
Total	**10,047**	**8,942**	**12**

Financial performance

Operating result

The Group operating result for the year 2018 was EUR 521 thousand (-110), or 5.2% (-1.2) of net sales. Strategic investments in growth businesses continued, which increased personnel, sales and marketing costs.

The Group´s fixed costs in 2018 were EUR 8,320 thousand (7,916), which accounted for an increase of 5.1% compared to prior year. Personnel costs represented 73.8% (71.8) of fixed costs and were EUR 6,142 thousand (5,682). External resources in product development were replaced by internal personnel, which lowered other operating expenses included in fixed costs. Credit losses, inclusive in fixed costs, decreased and were valued at EUR 10 thousand (58).

Other items in the comprehensive income statement

The result before tax was EUR 335 thousand (-148) and the result for the period was EUR 320 thousand (-294). Taxes recorded for the period amounted to EUR 15 thousand (146). Taxes decreased from previous year, because a substantial part of result reported in accordance with IFRS 15 was taxed in year 2017. Earnings per share (fully diluted) were EUR 0.027 (-0.025).

Finance and investments

Cash flow from operating activities in 2018 was EUR 1,335 thousand (984) and in fourth quarter EUR 159 thousand (-239). Full-year cash flow from operating activities was positively impacted by improved financial results, changes in invoicing cycle and a decrease in taxes. Fourth quarter cash flow was impacted positively mainly by improved financial results. Cash and cash equivalents at the end of the reporting period were EUR 505 thousand (318).

Net financial items in the reporting period January – December were EUR 187 thousand (38). Net financial expenses included net foreign exchange losses of EUR 193 thousand (43). Exceptionally large currency exchange losses were caused by the liquidation of the Group´s subsidiary in Russia. The currency exchange losses arise from the subsidiary´s working capital and were initiated when Russian ruble weakened significantly during the years between 2009 – 2018. Currency losses and gains related to this have been reported in previous years as part of other comprehensive income, and after liquidation of the subsidiary as financial expenses in the Group´s profit and loss statement. Thus, these currency losses do not have any impact on retained earnings or cash flow from operating activities.

Investments totaled EUR 790 thousand (872) and were mainly product development expenditure.

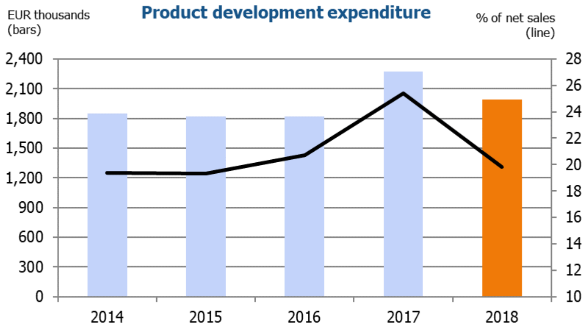
The Group's financial position is strong, and it had no interest-bearing liabilities at the end of the reporting period. The gearing ratio was -17.6% (-11.6). Equity ratio at the end of the reporting period was 48.6% (48.2).

Product development expenditure

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

In January – December reporting period, product development expenses were EUR 1,989 thousand (2,274), which equal 20% of net sales (25). Product development expenses worth EUR 732 thousand (792) were capitalized. The amortization of capitalized product development expenses was EUR 762 thousand (694).

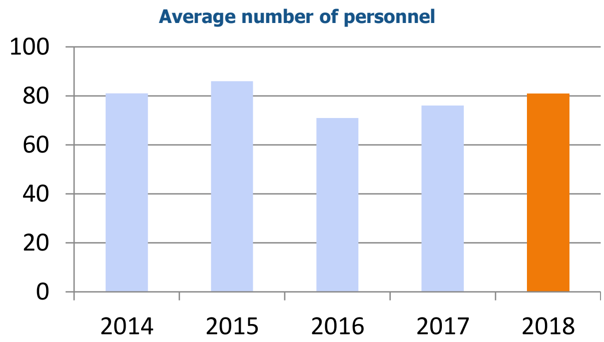
The amortization period for capitalized product development expenses is four years.



Personnel

At the end of the reporting period, the Group employed a total of 84 persons (76). The average number of personnel in 2018 was 81 (76).

At the end of the reporting period the average age of employees was 40.8 (39.9) years. Women accounted for 23% (17) of the employees, and men 77% (83). Of all personnel, sales and marketing employed 17% (16), consulting and customer service 43% (42), product development 31% (34) and administration 9% (8).



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 Group and business unit net sales. In 2018, the maximum annual bonus for members of the executive management team, including the CEO, was 30% of the annual base salary. A bonus totaling EUR 22 thousand (19) is paid to the executive management team for 2018.

More information on incentive plans can be found on the investors section of the Company´s website (www.qpr.com → investors → corporate governance → operational management).

Strategy

Our target is to grow our net sales by an average of 15 – 20% per annum over the next three years. The target is mainly based on growth in international software sales and consulting services in our home market, Finland. We foresee significant growth potential especially in the process mining business, where we aim for an annual growth of more than 50%.

We innovate, develop and sell software and related services aimed at analyzing, measuring and modeling operations in organizations. Furthermore, we offer customers consulting services in operational development and digital business optimization.

We will further accelerate product development by increasing our resources in a controlled manner. In software development, we place special focus on excellent user experience.

We focus our product development to meet the challenges our client organizations face, especially in leading and developing their operations in a digitalizing world. A special focus area for development is process mining, where our target is to gain a significant share in the rapidly growing process mining and analytics market.

In the next few years, we seek growth especially in our international software sales. To reach this target, we will continue to increase our resources and investments in international marketing and sales.

We also actively seek strategic partnerships to strengthen our product development and international software sales.

Share capital, shareholders and shares

The Company's share capital at the end of the year 2018 was EUR 1,359,090 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 1,151 shareholders (1,246). During the year, trading in the Company's shares amounted to EUR 1,694 thousand (2,463), i.e. an average of EUR 6,776 per trading day (9,814).

Trading in shares totaled 1,026,097 shares (1,552,104), giving an average of 4,104 shares per trading day (6,184). Turnover in shares corresponds to 8.6% (12.9) of the total shares outstanding and the average price was EUR 1.65 per share (1.59). The highest closing price during the year was EUR 1.77 (1.91) and the lowest EUR 1.55 (1.17).

At the end of the year, the total market value of the Company shares outstanding was EUR 19,540 thousand (20,499) at the closing price of EUR 1.63.

Major shareholders of QPR Software Plc, December 31, 2018

Registered shareholders	Number of shares	% of shares and votes
Umo Capital Oy	1,660,000	13.34
Pelkonen, Jouko Antero:	1,429,000	11.48
Pohjolan Rahoitus Oy	1,413,000	11.35
Pelkonen, Jouko Antero	16,000	0.13
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
Oy Fincorp Ab	867,066	6.97
Lamy Oy	553,249	4.45
Junkkonen, Kari Juhani	512,016	4.11
QPR Software Oyj	457,009	3.67
Piekkola, Asko	310,438	2.49
Laakso, Janne Juhani	250,000	2.01
Jaakkola, Jari Vesa:	248,000	1.99
Jaakkola, Jari Vesa	241,000	1.94
Value Fm Oy	7,000	0.06
Leskinen, Veli-Mikko	232,530	1.87
Becker, Kai-Erik Wilhelm	130,000	1.04
Lehto, Teemu Samuli	92,500	0.74
Puttonen, Vesa	77,972	0.63
Kempe, Anna	67,635	0.54
Sijoitusrahasto Nordea Nordic Small Cap	50,863	0.41
Hirvilammi, Hannu Esa	50,000	0.40
Kanninen, Matti Juhani	47,839	0.38
Hinkka Markku Juhani	38,270	0.31
20 largest, total	**9,646,774**	**77.52**
Other shareholders	2,798,089	22.48
TOTAL	**12,444,863**	**100.00**

Shareholding by insiders, December 31, 2018

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
Juha Häkämies, Member of the Board	0	0	0	0
Topi Piela, Member of the Board	1,052	0	0	0
Taina Sipilä, Member of the Board	0	0	0	0
Kirsi Jantunen, Principal Auditor	0	0	0	0
Jari Jaakkola, Chief Executive Officer	241,000	7,000	0	0
Insiders by definition:				
Tero Aspinen, VP, Executive Management Team	0	0	0	0
Matti Erkheikki, SVP, Executive Management Team	0	0	2,000	0
Jaana Mattila, CFO, Executive Management Team	0	0	0	0
Miika Nurminen, SVP, Executive Management Team	0	0		0
Jaakko Riihinen, SVP, Executive Management Team	30,000	0	0	0

**) Shares held by spouses and persons under guardianship.*

Distribution of shareholding by size, December 31, 2018

	Shareholders:		Shares and votes:	
Number of shares	Number	%	Number	%
1 - 500	691	60.0	109,376	0.9
501 - 1 000	190	16.5	157,877	1.3
1 001 - 5 000	189	16.4	444,859	3.6
5 001 - 10 000	26	2.3	198,247	1.6
10 001 - 50 000	36	3.1	739,419	5.9
50 001 - 100 000	4	0.3	288,970	2.3
100 001 -1 700 000	15	1.3	10,506,115	84.4
Total	**1,151**	**100.0**	**12,444,863**	**100.0**
of which nominee-registered	7		1,324,426	10.6

Distribution of shareholding by sector, December 31, 2018

	Shareholders:		Shares and votes:	
Sector	Number	%	Number	%
Private companies	34	2.9	5,327,567	42.8
Financial and insurance institutions	8	0.7	2,784,719	22.4
Households	1090	94.7	4,307,405	34.6
Non-profit organizations	1	0.1	1	0.0
Foreign	1	0.1	400	0.0
European Union	16	1.4	20,771	0.2
Ohter countries	1	0.1	4,000	0.0
Total	**1,151**	**100.0**	**12,444,863**	**100.0**
of which nominee-registered	7		1,324,426	10.6

Own shares

In 2018, 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 April 12, 2018 authorized the Board of Directors to decide on issuing a maximum of 4,000,000 new shares and to decide on conveyance of a maximum of 700,000 own shares held by the Company. The authorizations are in force until the next Annual General Meeting. By the end of the year 2018 the Company had 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 2018.

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

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

Decisions made by the Annual General Meeting

The Annual General Meeting held on April 12, 2018 made the following resolutions:

The Annual General Meeting approved the Company's financial statements and the Group's financial statements for the financial year 2017 and discharged the members of the Board of Directors and the CEO from liability.

The Annual General Meeting approved the Board's proposal that a per-share dividend of EUR 0.03, a total of EUR 360 thousand, be paid for the financial year 2017. The dividend was paid to shareholders entered in the Company's shareholder register, maintained by Euroclear Finland Oy, on the record date of April 16, 2018. The dividend payment date was April 23, 2018.

The Annual General Meeting resolved that the number of Board Members is four (4) and re-elected Juha Häkämies, Vesa-Pekka Leskinen, Topi Piela and Taina Sipilä as members of the Company´s Board of Directors. At the Board's organizing meeting, the Board of Directors elected Vesa-Pekka Leskinen as its Chairman. The Board Members' term of office expires at the end of the next Annual General Meeting.

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

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

All authorizations of the Board and other decisions made by the Annual General Meeting are available in their entirety on the stock exchange release published by the Company on April 12, 2018 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, 2018, the Executive Management Team (EMT) of QPR Software Plc consisted of Chief Executive Officer Jari Jaakkola (chairman), VP Middle East business and performance management solutions Tero Aspinen, SVP Process Mining and Strategy Management business Matti Erkheikki, Chief Financial Officer Jaana Mattila, SVP Operational Development business Miika Nurminen, and SVP Products and Technology Jaakko Riihinen.

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

Shares held by the Board and CEO

The members of QPR Software Plc's Board of Directors, the Chief Executive Officer, and persons or entities closely related to them, held a total of 1,575,622 Company shares on December 31, 2018, representing 12.66% of the total number of shares and votes (December 31, 2017: 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 April 12, 2018 decided to authorize the Board of Directors to decide on an issue of new shares and conveyance of the own shares held by the Company (share issue) either on one or several occasions. The share issue can be carried out as a share issue against payment or without consideration on terms to be determined by the Board of Directors.

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

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

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

The conditions of all authorizations of the Board of Directors decided by the Annual General Meeting are available in their entirety on the stock exchange release published by the Company on April 12, 2018 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 continuous process development and automated malware prevention.

Intellectual Property Rights

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

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

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

Data security

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

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

No significant changes have taken place in QPR's information and product related risks during 2018.

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 2018 is described in more detail in Note 28.

Legal disputes

The arbitration process initiated by QPR in summer 2016 regarding an unjustified customer decision to dissolve a contract was completed in May 2017. The arbitration court resolved to sentence the defendant to compensate the entire value of the violated contract to QPR. The arbitration court dismissed the customer's counterclaim.

In 2018 and 2017, the Company did not have any other legal disputes.

Other events after the reporting period

The Board of Directors of QPR Software Plc resolved in its meeting on January 29, 2019 to launch a new key employee stock option plan, based on an authorization granted by the Annual General Meeting. The purpose of the stock options is to encourage the key employees to work on a long-term basis to increase the shareholder value and to retain the key employees at the Company.

The maximum total number of stock options issued is 910,000 and they entitle their owners to subscribe for a maximum total of 910,000 new shares in the Company or existing shares held by the Company. The stock options are issued gratuitously. Of the stock options, 437,000 are marked with the symbol 2019A and 473,000 are marked with the symbol 2019B. The share subscription period, for stock options 2019A, will be January 1, 2022 – January 31, 2023, and for stock options 2019B, January 1, 2023 – January 31, 2024.

The number of shares subscribed by exercising stock options issued corresponds to a maximum total of 6.81% of all shares and votes of the shares in the Company after the potential share subscriptions, if new shares are issued in the share subscription. After the share subscriptions with stock options, the number of the Company's shares may be increased by a maximum total of 910,000 shares, if new shares are issued in the share subscription. The share subscription price for stock options 2019A is EUR 1.70 per share, which corresponded to the market price of the Company's share at the time of launching the option plan. The share subscription price for stock options 2019B is EUR 2.55 per share, which corresponds to the market price of the Company's share with an addition of 50%.

Outlook

Operating environment and market outlook

In recent years, QPR Software has made significant investments in developing the Company´s new process mining software, as well as renewing the user interfaces of its software products. The Company estimates that the demand for process mining software and related services will continue to grow rapidly over the course of 2019.

In developed markets, we expect the competition for process and enterprise architecture modeling, and performance management software to remain tight. The Company still sees growth potential for these products in emerging markets.

Outlook for 2019

QPR expects net sales to grow in 2019 (2018: EUR 10,047 thousand). The most significant sources of growth are the international process mining software sales of QPR ProcessAnalyzer, and the consulting services supporting QPR´s software business in Finland.

During financial year 2019, QPR will increase investments in its growing business segments. Due to these investments, the Company estimates that its operating result will be lower than in the previous year, while still remaining positive (2018: 5.2% of net sales).

The Board of Directors´ proposal on dividend

The distributable funds of the parent company were EUR 1,005 thousand on December 31, 2018. The Board of Directors will propose to the Annual General Meeting to be held on April 4, 2019 that no dividend be paid for the financial year 2018.

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

The Board of Directors' proposals to the Annual General Meeting are available in their entirety in the February 13, 2019 published Notice to the Annual General Meeting, available on the Company's web site (www.qpr.com → investors → annual general meetings)

QPR SOFTWARE

Financial Statements 2018

Dare to improve.

Financial Statements

Consolidated Comprehensive Income Statement, IFRS

(EUR 1,000)	Note	**2018**	2017
Net sales	3	**10,047**	**8,942**
Other operating income	4	-10	18
Materials and services	6	1,196	1,154
Employee benefit expenses	7	6,142	5,682
Depreciation and amortization	8	949	913
Other operating expenses	9	1,229	1,320
Total expenses		9,516	9,070
Operating result		**521**	**-110**
Financial income	10	9	10
Financial expenses	10	-196	-48
Financial items, net		-187	-38
Result before tax		**335**	**-148**
Income taxes	12	-15	-146
Result for the year		**320**	**-294**
Other items in comprehensive income that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		179	-7
Other items in comprehensive income, net of tax		**179**	**-7**
Total comprehensive income		**499**	**-302**
Earnings per share, EUR			
Undiluted, euros	13	0.027	-0.025
Diluted, euros	13	0.027	-0.025

Consolidated Balance Sheet, IFRS

(EUR 1,000)	Note	**2018**	2017
ASSETS			
Non-current assets			
Capitalized product development expenses	14	1,693	1,778
Other intangible assets	14	138	174
Goodwill	15	513	513
Tangible assets	16	116	153
Other investments		5	5
Deferred tax assets	19	57	122
Total non-current assets		**2,521**	**2,745**
Current assets			
Trade and other receivables	20	3,409	3,744
Cash and cash equivalents	21	505	318
Total current assets		**3,915**	**4,061**
Total assets		**6,436**	**6,807**
EQUITY AND LIABILITIES			
Equity			
Share capital	23	1,359	1,359
Other funds		21	21
Treasury shares		-439	-439
Translation difference		-61	-240
Invested non-restricted equity fund		5	5
Retained earnings		1,987	2,027
Equity attributable to shareholders of the parent company		**2,873**	**2,733**
Current liabilities			
Trade and other payables	25	3,563	4,074
Total current liabilities		**3,563**	**4,074**
Total liabilities		**3,563**	**4,074**
Total equity and liabilities		**6,436**	**6,807**

Consolidated Cash Flow Statement, IFRS

(EUR 1,000)	Note	**2018**	2017
Cash flow from operating activities			
Result for the period		320	-294
Adjustments to the result			
Depreciation		949	913
Other adjustments	26	378	177
Changes in working capital:			
Increase (-)/decrease (+) in short-term non-interest- bearing Receivables		178	1 387
Increase (+)/decrease (-) in short-term non-interest- bearing Liabilities		-446	-1,044
Interest expense and other financial expenses paid		-28	-37
Interest income and other financial income received		9	10
Income taxes paid		-27	-128
Net cash from operating activities		**1,335**	**984**
Cash flows from investing activities			
Purchases of tangible assets		-50	-75
Capitalized development expenses		-733	-792
Other investments in intangible assets		-7	-5
Net cash used in investing activities		**-790**	**-872**
Cash flows from financial activities			
Dividends paid	23	-360	-360
Net cash used in financing activities		**-360**	**-360**
Net change in cash and cash equivalents		**185**	**-247**
Cash and cash equivalents at the beginning of year		**318**	**565**
Effect of exchange rate differences		**2**	**0**
Cash and cash equivalents at the end of year	21	**505**	**318**

Parent Company Income Statement, FAS

(EUR)	Note	**2018**	2017
Net sales	3	**9,318,068**	**8,245,068**
Other operating income	4	513,432	569,153
Material and services	6	2,976,208	3,069,319
Employee benefits expenses	7	4,386,777	3,991,708
Depreciation and amortization	8	362,788	415,088
Other operating expenses	9	1,818,735	1,702,801
Total expenses		9,544,508	9,178,916
Operating result		**286,993**	**-364,695**
Financial income and expense	10	-33,927	1,316,134
Result before appropriations and taxes		**253,066**	**951,439**
Appropriations			
Group contribution	11	-	-200,000
Result before taxes		**253,066**	**751,439**
Income taxes	12	-9,856	-145,218
Result for the period		**243,209**	**606,221**

Parent Company Balance Sheet, FAS

(EUR)	Note	**2018**	2017
ASSETS			
Non-current assets			
Intangible assets	14	137,179	405,478
Tangible assets	16	115,868	153,435
Investments in group companies	17	3,581,152	3,581,152
Other investments	17	4,562	4,562
		3,838,761	4,144,627
Current assets			
Long-term receivables	18	200,000	200,000
Short-term receivables	20	3,205,681	3,413,446
Cash and cash equivalents	21	428,922	192,080
		3,834,603	3,805,525
Total assets		**7,673,364**	**7,950,152**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	23	1,359,090	1,359,090
Invested non-restricted equity fund		5,347	5,347
Retained earnings		1,250,259	1,003,582
Treasury shares		-439,307	-439,307
Result for the period		243,209	606,221
Total shareholders' equity		**2,418,598**	**2,534,932**
Liabilities			
Current liabilities	25	5,254,766	5,415,220
Total liabilities		**5,254,766**	**5,415,220**
Total shareholders' equity and liabilities		**7,673,364**	**7,950,152**

Parent Company Cash Flow Statement, FAS

(EUR)	**2018**	2017
Cash flow from operating activities		
Operating result	286,993	-364,695
Adjustment for the period:		
Depreciation and amortization	362,788	415,088
Financial items, net	2,481	-28,636
Income taxes paid	-902	-124,253
Net cash before changes in working capital	651,359	-102,497
Changes in working capital		
Change in short-term receivables, non-interest bearing	191,459	944,748
Change in short-term liabilities, non-interest bearing	-486,793	-651,300
Change in working capital	-295,334	293,448
Net cash from operating activities	**356,025**	**190,951**
Cash flows from investing activities		
Purchases of intangible assets	-6,660	-5,214
Purchases of tangible assets	-50,262	-74,723
Investments in subsidiary loans granted	7,351	264,385
Investments in subsidiary loans receivable	289,931	-343,197
Net cash used in investing activities	**240,361**	**-158,749**
Cash flows from financing activities		
Dividends paid	-359,543	-359,566
Net cash used in financing activities	**-359,543**	**-359,566**
Net change in cash and cash equivalents	**236,842**	**-327,364**
Cash and cash equivalents at the beginning of the year	**192,079**	**519,444**
Cash and cash equivalents at the end of the year	**428,922**	**192,079**

Statement of Changes in Equity

Consolidated statement of changes in equity, IFRS

(EUR 1,000)	Share capital	Other funds	Translation differences	Treasury shares	Invested non-restr. equity fund	Retained earnings	Equity attributable to share-holders of the parent company
Equity Dec 31, 2016	1,359	21	-233	-439	5	2538	3,252
Equity IFRS changes						142	142
Equity Jan 1, 2017	1,359	21	-233	-439	5	2,681	3,394
Dividends paid						-360	-360
Comprehensive income			-7			-294	-302
Equity Dec 31, 2017	1,359	21	-240	-439	5	2,027	2,733
Dividends paid						-360	-360
Comprehensive income			179			320	499
Equity Dec 31, 2018	1,359	21	-61	-439	5	1,987	2,873

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 Dec 31, 2016	12,444,863	1,359,090	-439,307	5,347	1,220,843	786,883	2,145,973
Equity IFRS changes					142,305		
Equity Jan 1, 2017	12,444,863	1,359,090	-439,307	5,347	1,363,148	929,188	2,288,278
Dividends paid					-359,566	-359,566	-359,566
Result for the year					606,221	606,221	606,221
Equity Dec 31, 2017	12,444,863	1,359,090	-439,307	5,347	1,609,802	1,175,842	2,534,932
Dividends paid					-359,543	-359,543	-359,543
Result for the year					243,209	243,209	243,209
Equity Dec 31, 2018	12,444,863	1,359,090	-439,307	5,347	1,493,468	1,059,508	2,418,598

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 12, 2019 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.

1. 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, 2018. In the Finnish accounting legislation, International Financial Reporting Standards refer to standards and interpretations accepted to be followed in the European Union in accordance with the EU Regulation number 1606/2002.

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

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

New and amended standards and interpretations adopted in 2018

Starting from January 1, 2018, the Group has applied the following new and revised standards and interpretations.

IFRS 9 Financial Instruments

IFRS 9 replaces the earlier 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. To measure expected credit losses of trade receivables from customers, the Group uses a simplified approach allowed by IFRS 9, where the loss allowance is measured based on an allowance matrix and recognized at an amount equal to lifetime expected credit losses. Expected credit losses are measured based on historical information on previous credit losses, and also the available information on future economic conditions is included in the model.

IFRS 15 Revenue from Contracts with Customers

The new standard has replaced earlier IAS 18 and IAS 11 -standards and related interpretations. In IFRS 15 a five-step model is applied to determine when to recognise revenue, and at what amount. Revenue is recognised when (or as) a company transfers control of goods or services to a customer either over time or at a point in time. The standard has also introduced extensive new disclosure requirements. IFRS 15 has has affected the consolidated financial statements as follows:

- **New reporting categories:** The adoption of the new standard´s performance obligations and timing of revenue recognition affected reporting categories and timing of recognition. The new reported product categories include software licenses, software maintenance services, cloud (SaaS) services and consulting. The share of cloud services of software sales will be reported separately, whereas earlier they have been reported as a part of maintenance services and lisences.

- **Amount of revenue recognized:** The principal versus agent consideration has the most significant impact on net sales, mainly affecting licenses and maintenance services. In accordance with the standards applied during the year 2017 the Group has applied the agent principle and recognized revenue from the sales to the resellers. In accordance with IFRS 15 the Group acts as a principal and records in its net sales the revenue from the software sales of the resellers to the end customers, and records in its costs the reseller commission. The adoption of the new standard increased the 2017 net sales and agent commission by approximately one million euros. The change lowered relative profitability but did not affect absolute profitability.

- **Timing of revenue recognized:** The IFRS 15 standard requires that revenue from software license sales is recognized when company transfers the control of services to a customer, at one point in time. It also requires that maintenance and cloud services are recognized over time. The below described changes in revenue recognition transferred the net sales and profits earlier reported for year 2017 partly to an earlier point in time, affecting the adjusted opening balance for the year 2017, and partly to a later point of time in 2018.

- **Product categories with a change in recognition time:** Timing changed for recognition of software license revenue arising from user rights that are invoiced upfront for the invoicing period under a contract of indefinite duration, other than those delivered from cloud. In accordance with the standards applied during the year 2017 the recurring revenue from long-term software rental agreements has been recognized over time. In accordance with IFRS 15 these user rights that are invoiced upfront for the invoicing period under a contract of indefinite duration are not recognized as rental revenue, but in accordance with their performance obligations which are license, maintenance and cloud (SaaS) services:
    - License part of the revenue is recognized at a point in time, in the beginning of each invoicing period of the agreement.
    - Maintenance part is recognized over time, evenly for each invoicing period of the agreement.
    - Cloud services are recognized over time, evenly during the invoicing period of the agreement.

  The most common invoicing period for customers acquiring user rights under a contract of indefinite duration is calendar year, thus causing the license part of revenue being recognized during the first quarter or the year. Compared with the earlier standards, more revenue is recognised during the first quarter of the year, thus reducing the revenue recognized for other quarters.

  A substantial impact came also from a part of limited term license revenue being under IFRS 15 reported as cloud (SaaS) services. For limited term user rights delivered from cloud, earlier the license part of revenue was recognized at a point in time, and currently as cloud services, evenly over time during the agreement period.

Adoption of the IFRS 15 standard also affected the reported and comparable figures of the parent company.

- **Product categories reported as earlier:** Perpetual software licenses and license part of limited term licenses without cloud delivery continue to be recognized at a point in time. Software licenses with indefinite duration delivered from cloud as well as maintenance and consulting services continue to be recognized over time.

- **Recurring revenue:** Recurring revenue reported by the Group consists of software maintenance services and cloud services. In addition, recurring revenue includes software license revenue arising from user rights that are invoiced upfront for the invoicing period under a contract of indefinite duration. These indefinite contracts are automatically renewed after the end of the agreed period (usually 1 year), unless the agreement is terminated within notice period.

- **The applied transition method:** The transition method applied was retrospective method with optional practical expedients. The Group applied the new standard also for comparison period, and published year 2017 comparative financials.

IFRIC 22 Interpretation Foreign Currency Transactions and Advance Consideration

When foreign currency consideration is paid or received in advance of the item it relates to – which may be an asset, an expense or income – IAS 21 The Effects of Changes in Foreign Exchange Rates -standard is not clear on how to determine the transaction date for translating the related item. The interpretation clarifies that the transaction date is the date on which the company initially 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. This did not have a material impact on the Consolidated Financial Statements.

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

Consolidation principles

The Consolidated Financial Statements include the parent company QPR Software Plc and the subsidiaries controlled by it. With regard to subsidiaries, the parent company's control is based on full ownership of the share capital or a majority holding. The Company did not own shares in joint ventures or associated companies in 2018 and 2017.

Subsidiaries acquired during the financial period are consolidated from the date when the control over subsidiary is obtained, and divestments are included up to the date when the control is lost. Intragroup shareholdings are eliminated using the acquisition cost method. Intercompany business transactions, receivables and liabilities, unrealized profits, and the intragroup profit distribution are eliminated in the Consolidated Financial Statements. The result 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 2018 and 2017.

Continuity of operations

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

Foreign currency translation

Transactions denominated in foreign currency have been translated into the group reporting currency using the exchange rate valid on the transaction date. Monetary items have been converted into the group reporting currency using the exchange rate at the closing date and non-monetary items using the exchange rate on the transaction date. The exchange gains and losses from business operations are included in the corresponding items above operating result. 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 is recognised when (or as) a company transfers control of goods or services to a customer either over time or at a point in time.

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

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

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

Software license revenue arising under a contract of indefinite duration and invoiced upfront for the invoicing period is recognized in accordance with its performance obligations which are license, maintenance and cloud (SaaS) services. License part of the revenue is recognized at a point in time, in the beginning of each invoicing period. Maintenance part as well as cloud services in total are recognized over time, evenly during the invoicing period.

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

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

Revenue of consulting services are recognized over time, in accordance with the fulfillment of the performance obligation i.e. rendering of the consulting service, when (or as) control of the services has been transferred to the customer.

The payment terms used by the Group are typical for each market, including domestic terms being typically shorter that international terms.

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 2018 and 2017, the Group did not have share-based incentive plans for management.

Operating result

IAS 1 "Presentation of Financial Statements" does not define the concept of operating result. The Group uses the following definition of operating result: operating result 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 result, 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 2018 and 2017.

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 2018 and 2017.

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 2018 and 2017, 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 2018 and 2017, 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.

Measuring of the expected credit losses of trade receivables changed as of beginning of the year 2018. Since then, to measure expected credit losses of trade receivables from customers the Group uses a simplified approach, where the loss allowance is measured based on an allowance matrix and recognized at an amount equal to lifetime expected credit losses. Expected credit losses are measured based on historical information on previous credit losses, and also the available information on future economic conditions is included in the model.

Derivative contracts

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

Cash and cash equivalents

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

Treasury shares

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

Provisions

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

A restructuring provision is recognized when a 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 as of 31 December 2018 been approved for adoption by the European Union.)

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

- **IFRS 16 Leases (effective for financial years beginning on or after 1 January 2019).** The new standard replaces the current IAS 17 –standard and related interpretations. IFRS 16 requires the lessees to recognise the lease agreements on the balance sheet as a right-of-use assets and lease liabilities. The accounting model is similar to current finance lease accounting according to IAS 17. There are two exceptions available, these relate to either short term contacts in which the lease term is 12 months or less, or to low value items i.e. assets of value about USD 5 000 or less. The lessor accounting remains mostly similar to current IAS 17 accounting. The Group assesses that adoption of the standard will increase its assets and liabilities by about 500 thousand euros, mainly due to the leased office premises. The Group will apply optional practical expedients.

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

- **IFRIC 23 Uncertainty over Income Tax Treatments** ***(*****effective for financial years beginning on or after 1 January 2019).** The interpretation brings clarity to the accounting for income tax treatments that have yet to be accepted by tax authorities. The key test is whether the tax authority will accept the company's chosen tax treatment. When considering this the assumption is that tax authorities will have full knowledge of all relevant information in assessing a proposed tax treatment.

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

- **Amendments to References to Conceptual Framework in IFRS Standards* (effective for financial years beginning on or after 1 January 2020).** The revised Framework codifies IASB's thinking adopted in recent standards. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs.

- **Definition of a Business (Amendments to IFRS 3)* (effective for financial years beginning on or after 1 January 2020).** The amendments narrowed and clarified the definition of a business. They also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business.

- **Definition of Material (Amendments to IAS 1 and IAS 8)* (effective for financial years beginning on or after 1 January 2020).** The amendments clarify the definition of material and include guidance to help improve consistency in the application of that concept across all IFRS Standards. In addition, the explanations accompanying the definition have been improved.

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

2. Segment information

QPR Software reports one operating segment: Operational development of organizations. In addition to this, the Company reports revenue from products and services as follows: Software license sales, Software maintenance services, Cloud services, and Consulting. Recurring revenue reported by the Group consists of software maintenance services and cloud services as well as of software license revenue arising from user rights that are invoiced upfront for the invoicing period under a contract of indefinite duration. These indefinite contracts are automatically renewed after the end of the agreed period (usually 1 year), unless the agreement is terminated within notice period.

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

Group (EUR 1,000)	**2018**	2017
Net sales by operating segment		
Operational development of organizations	10,047	8,942
Total net sales	**10,047**	**8,942**

3. Net sales

Net Sales by Product Group

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

	Group, IFRS (EUR 1,000)		**Parent company, FAS** (EUR)	
	2018	2017	**2018**	2017
Software licenses	2,685	2,184	2,215,479	1,715,270
Software maintenance services	2,989	3,260	2,783,790	3,095,645
Cloud services	1,316	819	1,261,558	770,751
Consulting services	3,057	2,680	3,057,240	2,663,401
Total net sales	**10,047**	**8,942**	**9,318,068**	**8,245,068**

Net Sales by Geographic Area

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.

Finland	5,444	5,316	5,444,274	5,316,482
Europe incl. Russia and Turkey	2,817	2,288	2,264,787	1,856,392
Rest of the world	1,786	1,337	1,609,008	1,072,194
Total net sales	**10,047**	**8,942**	**9,318,068**	**8,245,068**

4. Other operating income

	Group, IFRS (EUR 1,000)		Parent company, FAS (EUR)	
	2018	2017	**2018**	2017
Governments grants	-11	-	-10,914	-
Other items	1	18	524,346	569,153
Total	**-10**	**18**	**513,432**	**569,153**

5. Acquired business operations, parent company

No acquisitions were made in 2018 and 2017. During the year 2018 the Russian subsidiary OOO QPR Software was liquidated, and the Russion business operations were transferred to the Finnish Group companies.

6. Materials and services

	Group, IFRS (EUR 1,000)		Parent company, FAS (EUR)	
	2018	2017	**2018**	2017
Materials and services	1,196	1,154	2,976,208	3,069,319

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

Materials and services of the parent company include Intra-Group license purchases together with the above-mentioned expenses.

7. Employees and related parties

	Group, IFRS (EUR 1,000)		Parent company, FAS (EUR)	
	2018	2017	**2018**	2017
Salaries	5,085	4,673	3,635,193	3,289,901
Pension expenses - defined contribution plans	914	842	638,972	577,588
Other personnel expenses	142	167	112,612	124,220
Total	**6,142**	**5,682**	**4,386,777**	**3,991,708**
Average number of personnel during the year	81	76	55	51

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 year 2017 and one small normal business purchase in year 2018.

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

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

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

	Group, IFRS (EUR 1,000)		Parent company, FAS (EUR)	
	2018	2017	**2018**	2017
Salaries and other short-term benefits:				
Members of the Board of Directors	80	89	80,471	88,566
Chief Executive Officer Jari Jaakkola	199	205	199,053	205,013
Executive Management Team	564	515	564,446	515,089
Total	**844**	**809**	**843,969**	**808,668**

	Parent company, FAS (EUR)	
	2018	2017
Board fees by member:		
Leskinen Vesa-Pekka, Chairman of the Board	25,232	25,232
Eräkangas Kirsi	4,767	16,824
Häkämies Juha	16,824	12,862
Malmberg Juho	-	3,962
Piela Topi	16,824	16,824
Sipilä Taina	16,824	12,862
Total	**80,471**	**88,566**

QPR Software Plc's Annual General meeting held on April 12, 2018 decided that the Chairman of the Board receives an annual emolument of EUR 25,230 (2017: EUR 25 thousand) and that other members of the Board receive an annual emolument of EUR 16,820 (2017: EUR 17 thousand) 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 36 thousand in 2018 (2017: EUR 37 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 2018, 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 on development of the Group net sales, revenue and new sales of the divisions, and the Group's net sales in 2018. For financial year 2018 approximately EUR 22 thousand (2017: EUR 19 thousand) will be paid to the executive management team, including the CEO.

The Company did not have any stock option schemes at the end of the year 2018.

8. Depreciation and amortization

	Group, IFRS (EUR 1,000)		Parent company, FAS (EUR)	
	2018	2017	**2018**	2017
Intangible assets	861	799	274,959	301,158
Tangible assets				
Machinery and equipment	88	114	87,829	113,930
Total	**949**	**913**	**362,788**	**415,088**

No write-downs of the assets have been made during 2017 and 2018.

9. Financial income and expenses

	Group, IFRS (EUR 1,000)		Parent company, FAS (EUR)	
(EUR 1,000)	**2018**	2017	**2018**	2017
Non-statutory indirect employee costs	266	244	213,804	230,013
Expenses of office premises	332	328	310,237	306,958
Travel expenses	169	156	154,491	144,695
Marketing and other sales promotion	204	192	204,003	191,526
Computers and software	335	258	323,184	242,776
External services	453	705	433,842	375,542
Doubtful receivables and bad debts	10	58	3,527	55,935
Capitalized product development expenses	-733	-792	-	-
Other expenses	194	171	175,646	155,355
Total	**1,229**	**1,320**	**1,818,735**	**1,702,801**

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

Auditing	29	23	27,385	22,052
Tax consulting	2	8	2,479	8,288
Other services	20	19	19,558	19,290
Total	**51**	**51**	**49,421**	**49,630**

Other than auditing services charged by the legally appointed auditor during the fiscal year 2018 were 22 thousand euro.

Product development expenses incurred during the year

Expenses charged to income	1,256	1,564	198,507	250,751
Capitalized expenses	733	710	-	-
Total	**1,989**	**2,274**	**198,507**	**250,751**

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

10. Financial income and expenses

	Group, IFRS (EUR 1,000)		Parent company, FAS (EUR)	
	2018	2017	**2018**	2017
Interest income from loans and other receivables	12	6	15,987	11,228
Interest expenses from loans	-4	-3	-6,515	-9,569
Other financial income and expenses	-2	1	-263	1,250,957
Exchange rate differences	-193	-43	-43,137	63,517
Total	**-187**	**-38**	**-33,927**	**1,316,134**
Exchange rate differences in the income statement				
Exchange rate differences included in net sales	9	23	10,077	11,738
Exchange rate gains in financial income	0	2	93	795
Exchange rate losses in financial expenses	-193	-45	-43,230	62,723
Total	**-184**	**-19**	**-33,059**	**75,255**

11. Appropriations

	Group, IFRS (EUR 1,000)		Parent company, FAS (EUR)	
(EUR 1,000)	**2018**	2017	**2018**	2017
Group contributions granted				
QPR Services Oy	-	-	-	200,000
Total	**-**	**-**	**-**	**200,000**

12. Income tax expense

	Group, IFRS (EUR 1,000)		Parent company, FAS (EUR)	
(EUR 1,000)	**2018**	2017	**2018**	2017
Taxes for the financial year	14	90	8,936	14,000
Taxes from previous years	-	141	63	116,965
Withholding tax	1	14	858	14,253
Deferred tax	-	-100	-	-
Total	**15**	**146**	**9,856**	**145,218**

Reconciliation between the tax expense recorded in the comprehensive income statement and the tax expense calculated at the Finnish tax rate (20% in 2018 and 2017):

	Group, IFRS (EUR 1,000)	
	2018	2017
Result before tax	335	-148
Tax expense calculated at the Finnish tax rate	67	-30
Effect of different tax rates in foreign subsidiaries	-9	-4
IFRS 15 changes	-82	108
Other items	-5	13
Withholding tax	1	14
Non-deductible expenses	43	44
Tax expense in the comprehensive income statement	**15**	**146**

13. Earnings per share

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

	Group, IFRS (EUR 1,000)	
	2018	2017
Result for the period attributable to shareholders of the parent company (EUR thousand)	320	-294
Number of shares outstanding (1,000 pcs)	11,988	11,988
Earnings per share (EUR/share) Undiluted and diluted	0.027	-0.025

The Group did not have any dilutive instruments in 2018 and 2017.

14. Intangible assets

Group (EUR 1,000), IFRS	**Computer software**	**Other intangible assets**	**Capitalized product development**	**Total**
Acquisition cost Jan 1, 2017	1,049	2,508	4,451	8,008
Accum. amortization and write-downs Jan 1, 2017	-931	-2,434	-2,689	-6,054
Book value Jan 1, 2017	**118**	**75**	**1,762**	**1,955**
Increases	0	87	710	798
Amortization for the period	-55	-51	-694	-800
Acquisition cost Dec 31, 2017	1,049	2,596	5,161	8,806
Accum. amortization and write-downs Dec 31, 2017	-986	-2,485	-3,383	-6,854
Book value Dec 31, 2017	**64**	**111**	**1,778**	**1,952**
Increases, Transfers	6	57	677	739
Amortization for the period	-50	-49	-762	-861
Acquisition cost Dec 31, 2018	1,055	2,652	5,838	9,545
Accum. amortization and write-downs Dec 31, 2018	-1,035	-2,534	-4,145	-7,714
Book value Dec 31, 2018	**20**	**119**	**1,693**	**1,831**

Parent company (EUR), FAS				
Acquisition cost Jan 1, 2017	1,014,863	1,546,588	407,283	2,968,735
Changes in accumulated amortizations	5,605		2,048,696	2,054,301
Accum. amortization and write-downs Jan 1, 2017	-898,441	-1,164,847	-148,115	-2,211,404
Book value Jan 1, 2017	**116,421**	**381,741**	**259,168**	**757,330**
Increases	0	5,214	0	5,214
Amortization for the period	-52,903	-163,639	-84,616	-301,158
Changes in the accum. amortization and write-downs due to business transfer			-55,908	-55,908
Acquisition cost Dec 31, 2017	1,014,863	1,551,802	351,376	2,918,043
Accum. amortization and write-downs Dec 31, 2017	-951,344	-1,328,486	-232,731	-2,512,562
Book value Dec 31, 2017	**63,518**	**223,316**	**118,645**	**405,479**
Increases	5,870	790	0	6,660
Amortization for the period	-49,682	-161,264	-64,013	-274,959
Acquisition cost Dec 31, 2018	1,020,733	1,552,592	351,376	2,924,701
Accum. amortization and write-downs Dec 31, 2018	-1,001,027	-1,489,750	-296,744	-2,787,521
Book value Dec 31, 2018	**19,705**	**62,842**	**54,632**	**137,179**

15. Goodwill

Group (EUR 1,000)	**2018**	2017
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 2018 and the discount rate used in impairment testing was 12.5 % (2017: 12.4).

The recoverable amount evaluated in the impairment test is based on the 2019 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 2,7 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, 2017	**193**
Increases	75
Depreciation for the period	-114
Acquisition cost Dec 31, 2017	1,821
Accum. depreciation and write-downs Dec 31, 2017	-1,666
Book value Dec 31, 2017	**154**
Increases	50
Depreciation for the period	-88
Acquisition cost Dec 31, 2018	1,871
Accum. depreciation and write-downs Dec 31, 2018	-1,754
Book value Dec 31, 2018	**116**

Parent company (EUR), FAS	
Book value Jan 1, 2017	**192,642**
Increases	74,723
Depreciation for the period	-113,930
Acquisition cost Dec 31, 2017	1,780,823
Accum. depreciation and write-downs Dec 31, 2017	-1,627,390
Book value Dec 31, 2017	**153,434**
Increases	50,262
Depreciation for the period	-87,829
Acquisition cost Dec 31, 2018	1,831,086
Accum. depreciation and write-downs Dec 31, 2018	-1,715,218
Book value Dec 31, 2018	**115,868**

17. Shares in subsidiaries and other entities

The parent company of the Group is QPR Software Plc.

		Parent company	
Subsidiaries	Domicile	**2018**	2017
Owned directly by the parent company:			
QPR CIS Oy	Helsinki, Finland	100%	100%
QPR Software AB	Stockholm, Sweden	100%	100%
QPR Services Oy	Helsinki, Finland	100%	100%
QPR Software Inc.	San Jose, CA, USA	100%	100%
Owned indirectly by the parent company:			
OOO QPR Software*)	Moscow, Russia	0%	100%

**) Subsidiary OOO QPR Software was liquidated during the year 2018.*

Shares in subsidiaries	Parent company (EUR) **2018**	2017
Acquisition cost Jan 1	3,581,152	3,525,244
Increases	-	55,908
Acquisition cost Dec 31	3,581,152	3,581,152
Book value Dec 31	**3,581,152**	**3,581,152**
Other shares		
Acquisition cost Jan 1	4,562	4,562
Acquisition cost Dec 31	4,562	4,562
Book value Dec 31	**4,562**	**4,562**
Total book value of shares Dec 31	**3,585,714**	**3,585,714**

18. Long-term receivables

	Group, IFRS (EUR 1,000)		**Parent company, FAS** (EUR)	
	2018	2017	**2018**	2017
Receivables from the Group companies	-	-	200,000	200,000

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

QPR CIS Oy	200,000	200,000
Total	**200,000**	**200,000**

19. Deferred tax assets and liabilities

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

	Group, IFRS (EUR 1000)		**Parent company, FAS** EUR	
	2018	**2017**	**2018**	**2017**
Jan 1	122	23	-	-
Recorded in comprehensive income	-65	100	-	-
Dec 31	**57**	**122**	**-**	**-**

The subsidiary in the United States, QPR Software Inc., tax loss carryforwards after the official tax filings of 2018 total at approximately EUR 210 thousand, based on which EUR 23 thousand (23) has been recognized as a deferred tax asset. The Finnish subsidiary QPR Services Oy has an unused confirmed taxable loss of 173 thousand euros, based on which 35 thousand euros has been recognized as a deferred tax asset.

20. Trade and other receivables

	Group, IFRS (EUR 1,000)		Parent company, FAS (EUR)	
	2018	2017	**2018**	2017
Trade receivables	3,179	3,461	3,044,176	3,219,949
Accrued income and prepaid expenses	3	120	-5,133	80,101
Other receivables	228	162	166,638	106,045
Current receivables from Group companies	-	-	-	7,351
Total	**3,409**	**3,744**	**3,205,681**	**3,413,446**

Geographical breakdown of trade receivables:

Finland	1,453	2,292	1,453,479	2,292,497
Other European countries	801	596	709,322	437,415
Countries outside Europe	924	572	881,375	490,036
Total	**3,179**	**3,461**	**3,044,176**	**3,219,949**

Currency breakdown of trade receivables:

	Group			
(EUR 1,000)	**2018**	**%**	2017	%
EUR (Euro)	2,128	66.9	2,765	79.9
USD (U.S. Dollar)	610	19.2	297	8.6
SEK (Swedish Krona)	95	3.0	167	4.8
ZAR (South African Rand)	138	4.3	175	5.1
JPY (Japanese Yen)	34	1.1	19	0.5
GBP (Pound Sterling)	94	3.0	9	0.3
RUB (Russian Ruble)	12	0.4	30	0.9
AED (United Arab Emirates dirham)	68	2.2	-	0.0
Total	**3,179**	**100.0**	**3,461**	**100.0**

Age analysis of trade receivables:

Not due	2,598	81.7	2,897	83.7
0 - 90 days overdue	264	8.3	315	9.1
90 - 180 days overdue	146	4.6	99	2.9
More than 180 days overdue	170	5.4	150	4.3
Total	**3,179**	**100.0**	**3,461**	**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 10 thousand (58) on trade receivables have been recorded in comprehensive income.

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

	Parent company	
(EUR 1,000)	**2018**	2017
Accrued income	37,512	44,616
Prepaid expenses	-42,645	35,485
Total	**-5,133**	**80,101**

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

QPR CIS Oy	-	7,351
Total	**-**	**7,351**

21. Cash and cash equivalents

	Group, IFRS (EUR 1,000)		Parent company, FAS (EUR)	
	2018	2017	**2018**	2017
Bank accounts	505	318	428,922	192,080
Total	**505**	**318**	**428,922**	**192,080**

22. Balance sheet items related to customer contracts

	Group, IFRS (EUR 1,000)		Parent company, FAS (EUR)	
	2018	2017	**2018**	2017
Trade receivables	3,179	3,461	3,044,176	3,219,949
Contract assets	141	85	141,110	84,755
Contract liabilities	-2,058	-2,511	-2,006,530	-2,337,089

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

Contract liabilities are items which have already been invoiced but performance obligations have not yet been entirely fulfilled. In QPR Software, contract liabilities are usually related to maintenance or SaaS fees which are invoiced from the customer prior to contract period and are recognized as revenue equally over time during the contract period.

23. Shareholders' equity

The Company has one series of shares and the maximum value of share capital is EUR 1,359 thousand. All the issued shares have been fully paid. Total amount of issued shares was 12,444,863 in 2018 and 2017.

Other funds

Includes the reserve fund in subsidiary QPR Software AB.

Treasury shares

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

Capitalized product development costs

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

Calculation of the distributable funds

	Parent company, FAS	
(EUR)	**2018**	2017
Retained earnings	1,609,802	1,363,148
Result for the period	243,209	606,221
Dividends paid	-359,543	-359,566
Treasury shares	-439,307	-439,307
Invested non-restricted equity fund	5,347	5,347
Activated product development expenses	-54,631	-118,644
Distributable funds	**1,004,877**	**1,057,198**

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

Interest-bearing loans:

The Group or the Parent company did not have interest-bearing loans outside the Group at the end of 2018 or 2017.

25. Trade payables and other liabilities

	Group, IFRS (EUR 1,000)		Parent company, FAS (EUR)	
	2018	2017	**2018**	2017
Trade payables	33	84	29,984	62,329
Accrued expenses and prepaid income	2,489	2,314	2,198,117	1,853,177
Advances received	523	1,140	503,120	1,102,864
Other liabilities	519	536	344,014	408,658
Current liabilities to Group companies	-	-	2,179,531	1,988,192
Total	**3,563**	**4,074**	**5,254,766**	**5,415,220**

The amount of trade payables in foreign currency was low in 2018 and 2017.

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)	**2018**	2017
Holiday pay, including social costs	549,245	531,418
Bonuses, including social costs	146,587	95,276
Prepaid income	1,417,569	1,177,141
Other accrued expenses	84,717	49,343
Total	**2,198,117**	**1,853,177**

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

QPR CIS Oy	-35,168	-
QPR Services Oy	756,561	636,464
QPR Software AB	707,602	613,261
QPR Software Inc	750,536	738,466
Total	**2,179,531**	**1,988,192**

26. Adjustments to the cash flow from operating activities

	Group (EUR 1,000)	
	2018	2017
Accrued and deferred taxes	364	146
Other items	15	31
Total	**378**	**177**

27. Commitments and contingent liabilities

	Group, IFRS (EUR 1,000)		**Parent company, FAS** (EUR)	
	2018	2017	**2018**	2017
Business mortgage (held by the company)	1,386	1,388	1,337,288	1,337,288
Lease liabilities and rent commitments				
Maturing in less than one year	267	278	243,602	277,927
Maturing during 1-5 years	254	88	254,033	87,505
Total	**1,907**	**1,754**	**1,834,923**	**1,702,720**

Rental commitments include office rental agreements:

- Rental agreement (January 1, 2017), valid for the time being. The notice period is 6 months.
- Rental agreement (December 1, 2018), valid for the time being. The notice period is 6 months. First notice day is May 31, 2020.

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

The Parent Company has a EUR 0.5 million credit line in Nordea for short-term financing needs. No amounts were withdrawn under the credit line at the end of 2018 and 2017.

Dec 31, 2018 and 2017 the Group and the Parent company had no derivative contracts.

28. 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 British Pound (GBP), the Swedish Krona (SEK) and the South African Rand (ZAR) during the financial year. If the value of USD, GBP, 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 94 thousand, equaling 2.9% 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 105 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 May 19, 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 2018 and 2017, 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	551	551
Total	551	551

Operative credit risk

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

29. Key figures of the group 2016-2018

Group (EUR 1,000), IFRS	**2018**	2017 *)	2016 **)
Net sales	10,047	8,942	8,634
Growth of net sales, %	12.4		-8.5
Operating result	521	-110	761
% of net sales	5.2	-1.2	8.8
Result or loss before tax	335	-148	710
% of net sales	3.3	-1.7	8.2
Result for the period	320	-294	568
% of net sales	3.2	-3.3	6.6
Return on equity, %	11.4	-9.6	18.4
Return of investments, %	18.9	-3.3	24.6
Cash and cash equivalents	505	318	565
Net liabilities	-505	-318	-565
Equity	2,873	2,733	3,252
Gearing, %	-17.6	-11.6	-17.4
Equity ratio, %	48.6	48.2	46.3
Total balance sheet	6,436	6,807	7,871
Investment in intangible and tangible assets	790	872	698
% of net sales	7.9	9.7	8.1
Research and development expenses	1,989	2,274	1,818
% of net sales	19.8	25.4	21.1
Personnel average for period	81	76	71
Personnel at the beginning of period	76	63	83
Personnel at the end of period	84	76	63

**) Figures for 2017 have been reported in accordance with IFRS 15.*
***) Figures for 2016 have not been reported in accordance with IFRS 15.*

30. Key figures per share 2016-2018

Group, IFRS	**2018**	2017 **)	2016 ***)
Earnings per share, EUR	0.027	-0.025	0.047
Equity per share, EUR	0.231	0.220	0.261
Dividend per share *, EUR	0.000	0.030	0.030
Dividend per result, %	0.0	-122.2	63.3
Effective dividend yield, %	0.0	1.8	2.5
Price/earnings ratio (P/E)	61.0	-69.7	25.3
Development of share price			
Average price, EUR	1.65	1.59	1.08
Lowest closing price, EUR	1.55	1.17	0.97
Highest closing price, EUR	1.77	1.91	1.26
Closing price on Dec 31, EUR	1.63	1.71	1.20
Market capitalization on Dec 31, EUR 1,000	19,540	20,499	14,385

Development of trading volume			
Number of shares traded, 1,000 pcs	1,026	1,552	902
% of all shares	8.6	12.9	7.5
Number of shares on Dec 31, 1,000 pcs	12,445	12,445	12,445
Average number of shares outstanding	11,988	11,988	11,988

**) Year 2018: The Board of Director's proposal to the Annual General Meeting.*
***) Figures per share for 2017 have been reported in accordance with IFRS 15.*
****) Figures per share for 2016 have not been reported in accordance with IFRS 15.*

31. Capital management

Group (EUR 1,000), IFRS	**2018**	2017
Cash and cash equivalents	505	318
Net liabilities	-505	-318
Shareholders' equity	2,873	2,733
Gearing, %	-18	-12
Equity ratio, %	49	48
Total balance sheet	6,436	6,807

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

32. Events after the reporting period

The Board of Directors of QPR Software Plc resolved in its meeting on January 29, 2019 to launch a new key employee stock option plan, based on an authorization granted by the Annual General Meeting. The purpose of the stock options is to encourage the key employees to work on a long-term basis to increase the shareholder value and to retain the key employees at the Company.

The maximum total number of stock options issued is 910,000 and they entitle their owners to subscribe for a maximum total of 910,000 new shares in the Company or existing shares held by the Company. The stock options are issued gratuitously. Of the stock options, 437,000 are marked with the symbol 2019A and 473,000 are marked with the symbol 2019B. The share subscription period, for stock options 2019A, will be January 1, 2022 – January 31, 2023, and for stock options 2019B, January 1, 2023 – January 31, 2024.

The number of shares subscribed by exercising stock options issued corresponds to a maximum total of 6.81% of all shares and votes of the shares in the Company after the potential share subscriptions, if new shares are issued in the share subscription. After the share subscriptions with stock options, the number of the Company’s shares may be increased by a maximum total of 910,000 shares, if new shares are issued in the share subscription. The share subscription price for stock options 2019A is EUR 1.70 per share, which corresponded to the market price of the Company’s share at the time of launching the option plan. The share subscription price for stock options 2019B is EUR 2.55 per share, which corresponds to the market price of the Company’s share with an addition of 50%.

Definition of key indicators

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

Return on investment (ROI), %
(Result before taxes + interest and other financial expenses) x 100
Balance sheet total - non-interest-bearing liabilities (average)

Equity ratio, %:
Total equity x 100
Balance sheet total - advances received

Gearing, %:
(Interest-bearing liabilities - cash and cash equivalents) x 100
Total equity

Earnings per share, euro:
Result 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 result, %:
Dividend per share x 100
Earnings per share

Effective dividend yield, %:
Dividend per share x 100
Share price at the end of the year

Price/earnings ratio (P/E):
Share price at the end of the year
Earnings per share

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

Turnover of shares, % of all shares:
Number of shares traded x 100
Average number of shares outstanding during the year

Signatures of Board of Directors’ Report and Financial Statements

Helsinki, Finland, February 12, 2019

QPR Software Plc
Board of Directors

Vesa-Pekka Leskinen
Chairman of the Board

Topi Piela
Board member

Juha Häkämies
Board member

Taina Sipilä
Board member

Jari Jaakkola
Chief Executive Officer

Auditor’s note

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

Helsinki, Finland, February 27, 2019

KPMG Oy Ab
Authorized Public Accountants

Kirsi Jantunen
Authorized Public Accountant

Auditor’s Report

To the Annual General Meeting of QPR Software Plc

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of QPR Software Plc (business identity code 0832693-7) for the year ended 31 December, 2018. The financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company’s balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group’s financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company’s financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

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

Basis for Opinion

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

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

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 9 to the consolidated financial statements.

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

Materiality

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

Key Audit Matters

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

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

The key audit matter	How the matter was addressed in the audit

Revenue recognition principles (Refer to Accounting principles for the consolidated financial statements and notes 2 and 3)

The Group reports revenue from goods and services as follows; software licenses, software maintenance services, cloud services and consulting. The revenue is recognized when the control of the good or service is transferred to the customer, which may be over time or at a point in time.

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.

Application of revenue recognition principles requires management judgement especially in identifying performance obligation and stand-alone selling price as well as in analyzing terms and conditions of the contract.

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.

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

We have also evaluated and tested the documentation prepared by the Company on the assessment of the effect of IFRS 15 Revenue from Contracts with Customers, which was effective as of January 1, 2018.

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

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.

In addition we have assessed the appropriateness of disclosure information related to revenue recognition in the financial statements.

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 0.7 million in the financial year. The capitalised product development costs are amortised over four years on a straight-line basis. The carrying

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 amount, EUR 1.7 million, represents 59 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.

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 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.

Auditor's Responsibilities for the Audit of Financial Statements

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

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

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

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

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

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

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

Other Reporting Requirements

Information on our audit engagement

We have been the auditors appointed by the Annual General Meeting since 2006, and our appointment represents a total period of uninterrupted engagement of 13 years.

Other Information

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

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

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

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

Other opinions

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

Helsinki, February 27, 2019

KPMG OY AB

Kirsi Jantunen
Authorised Public Accountant, KHT

Information for Shareholders

The share of QPR Software Plc

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

- Trading code: QPR1V
- ISIN code: FI0009008668

Annual General Meeting

The Annual General Meeting will be held on Thursday April 4, 2019 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 25, 2019 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 27, 2019, 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 25, 2019, and would be entitled to be registered in the shareholders' register of the Company held by Euroclear Finland Ltd. The right to participate in the Annual General Meeting requires, in addition, that the shareholder on the basis of such shares has been registered into the temporary shareholders' register held by Euroclear Finland Ltd at the latest by April 1, 2019 by 10:00 a.m. (Finnish time). As regards nominee registered shares this constitutes due registration for the Annual General Meeting.

A holder of nominee registered shares is advised to request without delay all necessary instructions regarding the temporary registration in the shareholder's register of the Company, the issuing of proxy documents and registration for the Annual General Meeting from his/her custodian bank. The account management organization of the custodian bank has to register a holder of nominee registered shares, who wants to participate in the Annual General Meeting, into the temporary shareholders' register of the Company at the latest by April 1, 2019 by 10:00 a.m. (Finnish time), as mentioned above.

Dividend

The Board of Directors proposes to the Annual General Meeting that no dividend will be paid to shareholders for financial year 2018.

Financial information in 2019

In 2019, QPR Software Plc will publish its financial information as follows:

- Interim Report Jan-Mar/2019: Thursday, April 25, 2019
- Interim Report Jan-Jun/2019: Thursday, August 1, 2019
- Interim Report Jan-Sep/2019: Thursday, October 24, 2019

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

Changes of addresses

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

QPR Software in Gartner´s Market Research

During 2018 QPR Software has been positioned in Gartner's 2018 Market Guide for Process Mining, Market Guide for Enterprise Business Process Analysis, and Market Guide for Technologies Supporting a DTO.

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

Published: 19 November 2018 | Analysts: Samantha Searle, Marc Kerremans, Derek Miers

EBPA tools help enterprise architecture and technology innovation leaders transform and improve business performance and outcomes through business and process modeling. Here, Gartner describes the market, identifies use cases, highlights key vendors and describes their fit with common usage scenarios.

Gartner, Market Guide for Technologies Supporting a DTO – Representative Vendor

Published: 12 July 2018 | Analyst: Marc Kerremans

Coordinating the interdependencies within and across digital business transformation initiatives is challenging yet key to success. A digital twin of an organization helps EA and technology innovation leaders to prioritize, guide, plan, monitor, analyze and scale complex initiatives.

Gartner, Market Guide for Process Mining – Representative Vendor

Published: 3 April 2018 | Analyst: Marc Kerremans

Processes and interactions are basics in the execution and scaling of digital transformation, new AI capabilities and new forms of automation such as RPA. Process mining helps EA and TI leaders boost the efficiency, effectiveness and value of these initiatives to attain targeted business outcomes.

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Dare to improve.

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