QPR Software Plc

Annual General Meeting, 22 March, 2016
Jari Jaakkola, Chief Executive Officer
Financial year 2015

Challenging business environment.
Net sales on previous year’s level.
Operating profit decreased due investments in growth.
Development in 2015

Net sales in process mining and measuring software and consulting services grew.

We invested in new reseller recruitment, training and product launches with new resellers. 16 new resellers started in 13 countries.

In process and enterprise architecture modeling and performance management software, the tightened competition had a negative impact on sales in part of QPR’s reseller channel. This cannibalized net sales growth from new products, services and resellers entirely.

Net sales EUR 9,436 thousand (9,541).

Operating profit EUR 368 thousand (1,095).
## Consolidated Income Statement

<table>
<thead>
<tr>
<th>(EUR 1,000)</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td>9,436</td>
<td>9,541</td>
</tr>
<tr>
<td>Other operating income</td>
<td>1</td>
<td>26</td>
</tr>
<tr>
<td>Materials and services</td>
<td>558</td>
<td>337</td>
</tr>
<tr>
<td>Employee benefit expenses</td>
<td>6,477</td>
<td>6,092</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>822</td>
<td>761</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>1,211</td>
<td>1,281</td>
</tr>
<tr>
<td>Total expenses</td>
<td>9,069</td>
<td>8,471</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td>368</td>
<td>1,095</td>
</tr>
<tr>
<td>Financial income</td>
<td>26</td>
<td>23</td>
</tr>
<tr>
<td>Financial expenses</td>
<td>-47</td>
<td>-53</td>
</tr>
<tr>
<td>Financial items, net</td>
<td>-21</td>
<td>-30</td>
</tr>
<tr>
<td><strong>Profit before tax</strong></td>
<td>347</td>
<td>1,065</td>
</tr>
<tr>
<td>Income taxes</td>
<td>-9</td>
<td>-175</td>
</tr>
<tr>
<td><strong>Profit for the year</strong></td>
<td>338</td>
<td>890</td>
</tr>
<tr>
<td>Earnings per share, EUR</td>
<td>0,028</td>
<td>0,074</td>
</tr>
<tr>
<td>(EUR 1,000)</td>
<td>2015</td>
<td>2014</td>
</tr>
<tr>
<td>-----------------------------------------</td>
<td>-------</td>
<td>-------</td>
</tr>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capitalized product development expenses</td>
<td>1 695</td>
<td>1 374</td>
</tr>
<tr>
<td>Other intangible assets</td>
<td>347</td>
<td>440</td>
</tr>
<tr>
<td>Goodwill</td>
<td>513</td>
<td>513</td>
</tr>
<tr>
<td>Tangible assets</td>
<td>274</td>
<td>175</td>
</tr>
<tr>
<td>Other investments</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>23</td>
<td>22</td>
</tr>
<tr>
<td><strong>Total non-current assets</strong></td>
<td>2 856</td>
<td>2 529</td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>4 592</td>
<td>4 572</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>585</td>
<td>1 426</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>5 177</td>
<td>5 998</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>8 033</td>
<td>8 527</td>
</tr>
</tbody>
</table>
## Consolidated Balance Sheet – Equity and Liabilities

(EUR 1,000) **2015** | **2014**
---|---
**EQUITY AND LIABILITIES**<br>**Equity**<br>Share capital | 1 359 | 1 359
Other funds | 21 | 21
Treasury shares | -439 | -439
Translation difference | -242 | -221
Invested non-restricted equity fund | 5 | 5
Retained earnings | 2 210 | 2 471
**Equity attributable to shareholders of the parent company** | 2 914 | 3 196
**Non-current liabilities**<br>Deferred tax liabilities | 9 | 25
**Total non-current liabilities** | 9 | 25
**Current liabilities**<br>Trade and other payables | 4 609 | 5 306
Interest-bearing liabilities | 500 | 0
**Total current liabilities** | 5 109 | 5 306
**Total liabilities** | 5 119 | 5 331
**Total equity and liabilities** | 8 033 | 8 527
Market development: Digitalization accelerates

- The customer increasingly rises to focal point

- Organizations can utilize digitalization in
  - Expansion of current customers relationships
  - New business designs in new ecosystems
  - Streamlining operations, cost reductions

- In operational development, this shows particularly in
  - Change impacts
  - Analyzing and measuring implementations
Our business

- We innovate, develop and sell in international markets software aimed at analyzing, monitoring and modeling operations in organizations.

- In our home market Finland we offer customers a variety of services for operational development planning and execution.

- We provide customers insight into their business operations – and this insight enables them to streamline and improve business operations and to execute their strategies swiftly and effectively.
Strategy

➢ To differentiate from competitors by developing our software products to meet with the increasing challenges organizations face in leading and developing their operations in digitalizing world.

➢ Special focus areas for development are process mining, process analytics and operational performance measuring
  • We believe that the relevant market for these focus areas grows significantly, as companies collect more and more transaction and other event data from their operations.
  • In software development, special focus is placed on processing and analyzing large amounts of data, as well as excellent user experience.
  • In the next three years, QPR seeks to grow especially its process mining, analytics and measuring software sales in the international markets.

➢ In our home market Finland, solution selling plays an increasingly important role.
An example of process mining and analytics benefits: Identify critical 20% of operations, that causes 80% of work

Solution:
- Identify deviations and find root causes – minimize deviations
- Make cost of deviations visible
- Calculate ROI (return on investment) for process development initiatives
- Select development initiatives with best ROI.
Examples of process mining and analytics benefits

➢ EUR 100 million operating capital released by removing bottlenecks in invoicing.
➢ EUR 17 million invoiced after identifying uninvoiced orders.
➢ Delivery accuracy from 74% to 80%.
➢ 20% increase in sales – due to improved delivery accuracy and increased internal efficiency.
➢ 50% reduction in business critical order changes
➢ 80% reduction in incorrect invoices

➢ Plug and play QPR ProcessAnalyzer solution is available for the following IT systems
  • SAP, Oracle, Microsoft, Salesforce, ServiceNow, Epicor, Infor M3, IFS
Outlook 2016

▷ In process mining software and process analysis services, we continue outlays in direct sales in Finland and in international channel sales
  • We estimate that this business will continue to grow this year.

▷ In process and enterprise architecture modeling and performance management software, the tightened competition is expected to continue to have a negative impact on sales in part of QPR’s reseller channel.
  • To offset this impact, we seek growth from new reseller partnerships initiated in 2015, especially from Middle East and Africa.

▷ In Finland, we expect to maintain our leading position in modeling and analysis software aimed at operational development in organizations, as well as in recent years strengthened position in operational development consulting.

▷ We estimate operating profit excluding special items to grow in 2016 compared to 2015.
Founded
1991

Corporate headquarters
Huopalahdentie 24,
00350 Helsinki

Stock symbol
QPR1V:Nasdaq Helsinki

Industry recognitions
Gartner, Ventana Research,
The Palladium Group, Forrester
Research, Nucleus Research

Customers
2000+ (800 in Finland)

Sold licenses
>1 million worldwide

Consulting services
Strategic alignment and execution
Operational Development
Transformations
Operational Excellence

Products
QPR ProcessDesigner
QPR EnterpriseArchitect
QPR Metrics
QPR ProcessAnalyzer
QPR Portal