

QPR Software Plc Financial Statements Bulletin 2019

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Strong growth in process mining continued

January – December 2019

- | Net sales amounted to EUR 9,513 thousand (2018: 10,047), down 5%.
- | Process mining software QPR ProcessAnalyzer's net sales grew by 49% but the Group net sales decreased by 5 % due to decreasing modeling and performance management software net sales.
- | Recurring revenue accounted for 52% of net sales (54).
- | Operating result (EBIT) was EUR -213 thousand (521).
- | Operating margin was -2.2% (5.2)
- | Result before taxes was EUR -240 thousand (335).
- | Result for the period was EUR -161 thousand (320).
- | Earnings per share was EUR -0.013 (0.027).

October – December 2019

- | Net sales amounted to EUR 2,499 thousand (2018: 2,671), down 6%.
- | Operating result (EBIT) was EUR -123 thousand (130).
- | Operating margin was to -4.9% (4.9).
- | Result before taxes was EUR -126 thousand (128).
- | Result for the quarter was EUR -119 thousand (189).
- | Earnings per share decreased to EUR -0.010 (0.016).

Business operations

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.

OUTLOOK

Operating environment and market outlook

In recent years, QPR Software has made significant investments in developing the Company's process mining software, as well as in 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 2020.

In developed markets, we expect the competition for process and enterprise architecture modeling software, as well as for performance management software to remain tight. However, there is still growth potential for these products in emerging markets, especially for performance management software.

Outlook for 2020

Based on actual sales performance in early 2020 and current sales funnel, QPR expects net sales to grow in 2020 (2019: EUR 9,513 thousand). The most significant sources of growth are international process mining and performance management software sales and deliveries. Operating result (EBIT) is estimated to be negative (2019: -213 thousand) due to planned increase in European sales personnel and growth investments in software products. EBITDA is expected to be positive (2019: EUR 1,036 thousand).

Mid-term financial targets

The Company's mid-term target in 2020 – 2022 is to grow net sales by an average of 15 – 20% per annum. The target is mainly based on international net sales growth in process mining, where we target an annual growth of over 50%.

KEY FIGURES

EUR in thousands, unless otherwise indicated	Oct-Dec, 2019	Oct-Dec, 2018	Change, %	Jan-Dec, 2019	Jan-Dec, 2018	Change, %
Net sales	2,499	2,671	-6	9,513	10,047	-5

EBITDA	199	362	-45	1,036	1,470	-29
% of net sales	7.9	13.5		10.9	14.6	
Operating result	-123	130	-195	-213	521	-141
% of net sales	-4.9	4.9		-2.2	5.2	
Result before tax	-126	128	-199	-240	335	-172
Result for the period	-119	189	-163	-161	320	-150
% of net sales	-4.8	7.1		-1.7	3.2	
Earnings per share, EUR						
(basic and diluted)	-0.010	0.016	-163	-0.013	0.027	-150
Equity per share, EUR	0.222	0.231	-4	0.222	0.231	-4
Cash flow from operating activities						
	413	159	160	1,349	1,335	1
Cash and cash equivalents	1,035	505	105	1,035	505	105
Net borrowings	-251	-505	-50	-251	-505	-50
Gearing, %	-9.1	-17.6	-48	-9.1	-17.6	-48
Equity ratio, %	44.5	48.6	-8	44.5	48.6	-8
Return on equity, %	-17.0	27.3	-162	-5.7	11.4	-150
Return on investment, %	-13.9	19.0	-173	-5.9	18.9	-131

Adoption of IFRS16 has affected key figures, which in that sense are not fully comparable.

REPORTING

QPR Software innovates, develops, sells and delivers software and services in international markets aimed at facilitating operational development in organizations. 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 licenses, Renewable software licenses, Software maintenance services, Cloud services and Consulting.

Recurring revenue reported by the Company consists of Software maintenance services and Cloud services. In addition, recurring revenue includes Renewable software licenses.

Software licenses are sold to customers for perpetual use or for an agreed, limited period. Renewable software licenses are sold to customers as a user right with an indefinite duration. These contracts are automatically renewed at the end of the agreed period, usually one year, unless the agreement is terminated within notice period. Renewable license revenue is recognized at one point in time, in the beginning of the invoicing period.

Geographical areas reported are Finland, the rest of Europe (including Russia and Turkey), and the rest of the world. Net sales are reported according to the customer's headquarter location.

The figures in this financial statements bulletin have been reported in accordance with the IFRS 16 Lease agreement standard, effective from January 1, 2019. Detailed description is included in Accounting Principles section of this report.

REVIEW BY THE CEO

The investments into our process mining software QPR ProcessAnalyzer were paying off in the reporting period, and international software net sales in this business area continued to grow. In 2019, process mining software net sales recorded 49% growth, driven by strong international software sales.

Process mining software is globally strengthening its position as an operational analytics tool, especially in the large organizations segment. Analysis results are used, among others, for improving existing operations, process optimization and automatization as well as digital transformation.

Process mining software product development proceeded well in the reporting period. We added, among others, features that enable fast and accurate process performance measurement and support for process automation initiatives. Thanks to new features added to the product, customers can also perform conformance analyses and compare actual performance to designed processes and operating models. In addition to this, we introduced new features utilizing artificial intelligence, such as clustering and forecasting features.

The competition in process and enterprise architecture modeling software and performance management software markets remained tight, as expected. Our modeling software net sales were negatively impacted by tightened competition and pricing change we implemented for enterprise architecture modeling software cloud services in the Finnish public sector. With this new pricing, we aim at significant increase in users of this software in the long term. Consulting net sales around operational development, digitalization and change management decreased in the latter half of the year in the public sector, where demand decreased after the Parliamentary Election in April.

In the future, we will focus on further developing our process mining software product and seek to strengthen its position in the rapidly growing market. We seek to grow our international software sales through direct sales, as well as with our current reseller partners and through new strategic partnerships. We are planning to add sales resources especially in European key markets, such as United Kingdom and France.

NET SALES DEVELOPMENT

NET SALES BY PRODUCT GROUP

EUR in thousands	Oct-Dec, 2019	Oct-Dec, 2018	Change, %	Jan-Dec, 2019	Jan-Dec, 2018	Change, %
Software licenses	459	434	6	1,552	1,559	0
Renewable software licenses	194	192	1	1,102	1,126	-2
Software maintenance services	686	739	-7	2,731	2,989	-9
Cloud services	281	347	-19	1,068	1,316	-19
Consulting	879	959	-8	3,061	3,057	0
Total	2,499	2,671	-6	9,513	10,047	-5

NET SALES BY GEOGRAPHIC AREA

EUR in thousands	Oct-Dec, 2019	Oct-Dec, 2018	Change, %	Jan-Dec, 2019	Jan-Dec, 2018	Change, %
Finland	1,225	1,428	-14	4,863	5,444	-11
Europe incl. Russia and Turkey	716	850	-16	2,965	2,817	5
Rest of the world	557	393	42	1,686	1,786	-6
Total	2,499	2,671	-6	9,513	10,047	-5

October – December 2019

The fourth quarter net sales were EUR 2,499 thousand (2,671) and decreased by 6% compared to the corresponding period last year.

Software license net sales increased by 6% and were EUR 459 thousand. Software maintenance net sales decreased by 7% from the previous year, which was mainly due to maintenance net sales decrease in our international reseller channel. In process mining, software license net sales and maintenance net sales increased.

Cloud service net sales decreased by 19%. The decrease was due to a pricing change we implemented in the Finnish public sector modeling software cloud services. With this new pricing, we aim at significant increase in users of this software in the long term. In process mining, cloud service net sales increased.

Consulting net sales decreased by 8%, which resulted mainly from a demand decline in consulting sales around operational development, digitalization and change management in the Finnish public sector.

Net sales in international markets grew by 2%, including process mining net sales growth, as well as decline in modeling software net sales. Net sales in Finland decreased by 14%, mainly due to the pricing change in modeling software cloud services described earlier in this report, as well as consulting demand decline in the public sector.

Of the Group net sales, 49% (53) derived from Finland, 29% (32) from the rest of Europe (including Russia and Turkey) and 22% (15) from the rest of the world.

January – December 2019

Net sales in January – December were EUR 9,513 thousand (10,047), down 5%. Recurring revenue accounted for 52% (54) of net sales.

Software license net sales were on the same level as prior year (-1%). Software maintenance net sales decreased by 9% from the previous year, which was mainly due to maintenance net sales decrease in our international reseller channel. In process mining, software license net sales and maintenance net sales increased.

Cloud service net sales were down by 19%, due to the pricing change we implemented in the Finnish public sector modeling software cloud services. In process mining, cloud service net sales increased.

Consulting net sales were EUR 3,061 thousand (3,057) and remained on the same level as prior year.

International net sales increased by 1%. International process mining software net sales increased, but modeling and performance management net sales in international reseller channel decreased. Net sales in Finland decreased by 11%, mainly due to the modeling software pricing change, as described earlier in this report.

Of the Group net sales, 51% (54) derived from Finland, 31% (28) from the rest of Europe (including Russia and Turkey) and 18% (18) from the rest of the world.

FINANCIAL PERFORMANCE

October – December 2019

Operating profit (EBIT) was EUR-123 thousand and -4.9% of net sales (4.9).

The Group's October – December fixed costs were EUR 2,243 thousand (2,207), which accounted for an increase of 2% compared to prior year's corresponding period. Personnel expenses represented 78% (76) of fixed costs and amounted to EUR 1,743 thousand (1,667).

The Group's October – December result before tax was EUR -126 thousand (128) and result for the period was EUR -119 thousand (189). Earnings per share were EUR -0.010 (0.016).

January – December 2019

In January – December reporting period, the Group operating result (EBIT) was EUR -213 thousand (521), or -2.2% of net sales (5.2). Strategic investments in growth businesses continued, which increased personnel, sales and marketing costs.

The Group's fixed costs were EUR 8,583 (8,320), which accounted for an increase of 3% compared to prior year. Personnel costs represented 75% (74) of fixed costs and were EUR 6,455 thousand (6,142). Credit losses, included in fixed costs, increased slightly and were valued at EUR 76 thousand (10).

The result before tax was EUR -240 thousand (335) and the result for the period was EUR -161 thousand (320). Earnings per share were EUR -0.013 (0.027).

FINANCE AND INVESTMENTS

Cash flow from operating activities in the reporting period January - December was EUR 1,349 thousand (1,335). Cash and cash equivalents at the end of the reporting period were EUR 1,035 thousand (505). Cash flow was positively affected by a short term bank loan raised by the Group.

Net financial expenses were EUR 26 thousand (187) and included currency exchange losses of EUR 21 thousand (193). Exceptionally large currency exchange losses in the previous year were due to liquidation of the Group's subsidiary in Russia.

Investments totaled EUR 1,156 thousand (790). Investments were mainly related to product development expenditure.

The Group's financial position is strong. The gearing ratio was -9% (-18). The change in gearing ratio is mainly due to the adoption of the new IFRS 16 accounting standard in the beginning of this year. At the end of the quarter, the equity ratio was 45% (49).

PRODUCT DEVELOPMENT

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

In the reporting period 2019, product development expenses were EUR 2,293 thousand (1,989), or 24% of net sales (20). Product development expenses worth EUR 788 thousand (732) were capitalized. The amortization of capitalized product development expenses was EUR 827 thousand (762). 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 83 persons (84). The average number of personnel during the reporting period 2019 was 82 (81).

The average age of employees is 42.7 (40.8) years. Women account for 23% (23) of employees, men for 77% (77). 17% (17) work in sales and marketing, 41% (43) in consulting and customer care, 33% (31) in product development, and 10% (9) in administration.

For incentive purposes, the Company has a bonus program that covers all employees. Short term remuneration of the top management consists of salary, fringe benefits, and a possible annual bonus based mainly on the Group and business unit net sales performance. In 2019, 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 5 thousand (22) is paid to the executive management team for 2019.

STOCK OPTION PLAN

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%. The total expected cost effect of the stock option plan is about EUR 190 thousand.

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 international net sales growth in process mining, where we target annual growth of over 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.

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 international software sales and product development.

SHARES AND SHAREHOLDERS

	Jan-Dec, 2019	Jan-Dec, 2018	Change, %
Trading of shares			
Shares traded, pcs	1,091,153	1,026,097	6
Volume, EUR	2,229,163	1,694,088	32
% of shares	9.1	8.6	
Average trading price, EUR	2.04	1.65	24

	Dec 31, 2019	Dec 31, 2018	Change, %
Shares and market capitalization			
Total number of shares, pcs	12,444,863	12,444,863	-
Treasury shares, pcs	457,009	457,009	-
Book counter value, EUR	0.11	0.11	-
Outstanding shares, pcs	11,987,854	11,987,854	-
Number of shareholders	1,146	1,151	0
Closing price, EUR	2.34	1.63	44
Market capitalization, EUR	28,051,578	19,540,202	44
Book counter value of all treasury shares, EUR	50,271	50,271	-
Total purchase value of all treasury shares, EUR	439,307	439,307	-
Treasury shares, % of all shares	3.7	3.7	-

GOVERNANCE

The Annual General Meeting held on April 4, 2019 approved the Board's proposal that no dividend be paid for the financial year 2018.

The Annual General Meeting resolved that the number of Board Members is four (4) and re-elected Vesa-Pekka Leskinen and Topi Piela. as members of the Company's Board of Directors. As new members of the Board of Directors, Jarmo Rajala and Salla Vainio were elected. The term of office of the members of the Board of Directors expires at the end of the next Annual General Meeting. At its organizing meeting, the Board of Directors elected Vesa-Pekka Leskinen as its Chairman.

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 Annual General Meeting 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 in one or in 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.

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 4, 2019, and available in the Investors section of the Company's website, <https://www.qpr.com/investors/stock-exchange-and-press-releases>.

SHORT-TERM RISKS AND UNCERTAINTIES

Internal control and risk management at QPR Software aims to ensure that the Company 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 the continuity of its business.

QPR has identified the following three groups of risks related to its operations: risks related to business operations (country, customer, personnel, legal), risks related to information and products (QPR products, IPR, data security) and risks related to financing (foreign currency, short-term cash flow). The Company has an insurance policy covering property, operational and liability risks.

Financial risks include reasonable credit risk concerning individual business partners, which is characteristic of any international business. QPR seeks to limit this credit risk by continuously monitoring standard payment terms, receivables and credit limits. The value of trade receivables over 60 days past due was 22% (10) of total trade receivables at the end of the quarter.

Approximately 56% of the Group's trade receivables were in euro at the end of the quarter (67). At the end of the quarter, the Company had not hedged its non-euro trade receivables.

Risks and risk management practices related to the Company's business are further described in the Annual Report 2018, pages 21-23 (<https://www.qpr.com/investors/financial-information/annual-reports>)

THE BOARD OF DIRECTORS' PROPOSAL ON DIVIDEND

The distributable funds of the parent company were EUR 943 thousand on December 31, 2019. The Board of Directors will propose to the Annual General Meeting to be held on April 7, 2020 that no dividend be paid for the financial year 2019.

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

FINANCIAL INFORMATION

In 2020, QPR Software Plc will publish its financial information, in Finnish and English, as follows:

- | Annual Report 2019: Thursday, March 12, 2020
- | Interim Report 1-3/2020: Tuesday, April 28, 2020
- | Half-year Financial Report 1-6/2020: Thursday, July 30, 2020
- | Interim Report 1-9/2020: Tuesday, October 27, 2020

The Annual General Meeting will be held on Tuesday, April 7, 2020.

QPR SOFTWARE PLC BOARD OF DIRECTORS

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FINANCIAL STATEMENTS

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

EUR in thousands, unless otherwise indicated	Oct-Dec, 2019	Oct-Dec, 2018	Change, %	Jan-Dec, 2019	Jan-Dec, 2018	Change, %
Net sales	2,499	2,671	-6	9,513	10,047	-5
Other operating income	-	0		0	-10	102
Materials and services	379	335	13	1,143	1,196	-4
Employee benefit expenses	1,743	1,667	5	6,455	6,142	5
Other operating expenses	178	308	-42	878	1,229	-29
EBITDA	199	362	-45	1,036	1,470	-29
Depreciation and amortization	322	231	39	1,250	949	32
Operating result	-123	130	-195	-213	521	-141
Financial income and expenses	-3	-2	-23	-26	-187	86
Result before tax	-126	128	-199	-240	335	-172
Income taxes	7	62	-89	78	-15	638
Result for the period	-119	189	-163	-161	320	-150
Earnings per share, EUR (basic and diluted)	-0.010	0.016	-163	-0.013	0.027	-150
Consolidated statement of comprehensive income:						
Result for the period	-119	189	-163	-161	320	-150
Other items in comprehensive income that may be reclassified subsequently to profit or loss:						
Exchange differences on translating foreign operations	-1	0	-614	-5	179	-103
Total comprehensive income	-121	189	-164	-166	499	-133

CONSOLIDATED BALANCE SHEET

EUR in thousands	Dec 31, 2019	Dec 31, 2018	Change, %
Assets			
Non-current assets:			
Intangible assets	2,044	1,831	12
Goodwill	513	513	0
Tangible assets	371	116	220
Other non-current assets	141	62	128
Total non-current assets	3,068	2,521	22
Current assets:			
Trade and other receivables	2,904	3,409	-15
Cash and cash equivalents	1,035	505	105
Total current assets	3,939	3,915	1
Total assets	7,007	6,436	9
Equity and liabilities			
Equity:			
Share capital	1,359	1,359	0
Other funds	21	21	0
Treasury shares	-439	-439	0
Translation differences	-66	-61	8
Invested non-restricted equity fund	5	5	0
Retained earnings	1,882	1,987	-5
Equity attributable to shareholders			

Comprehensive income			-5			-161	-166
Equity Dec 31, 2019	1,359	21	-66	-439	5	1,882	2,762

NOTES TO INTERIM FINANCIAL STATEMENTS

ACCOUNTING PRINCIPLES

This report complies with requirements of IAS 34 "Interim Financial Reporting". Starting from the beginning of 2019, the Group has applied certain new or revised IFRS standards and IFRIC interpretations, as described in the Consolidated Financial Statements 2018.

As of beginning of 2019, in accordance with the new IFRS 16 Leases -standard, leases are recognized in the balance sheet as a right-of-use asset and a corresponding financial liability at the date at which the lease asset is available for the use by the Group. Lease payments are allocated in liabilities and financial expenses. The financial expense is recognized in the income statement over the lease period. The right-of-use asset is depreciated on a straight-line basis over the asset's useful life or the shorter lease term. The lease liabilities are discounted at the borrowing average rate of 2% as of January 1, 2019. The Group has adopted the new IFRS 16 standard using modified retrospective approach and the comparative information has not been restated.

The Group leases mainly offices to be used as working premises. Rental contracts are typically made for fixed periods with possible extension options, or for an indefinite period with a notice period of typically less than a year. The Group continues to treat leases of 12 months or less and leases of low-value assets as other leases. Until end of the year 2018 leases of property, plant and equipment were classified as operating leases. Payments made under operating leases were recognized in the income statement on a straight-line basis over the period of the lease.

The change in the accounting policy affected the balance sheet items of January 1, 2019, as follows:

- material assets increased with the right-of-use asset by approximately EUR 560 thousand
- non-current liabilities increased by approximately EUR 280 thousand
- current liabilities increased by approximately EUR 280 thousand

The implementation of other new and revised requirements has not impacted the reported figures. For all other parts, the accounting principles and methods are the same as they were in the 2018 financial statements.

When preparing the consolidated financial statements, the 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.

All amounts presented in this report are consolidated figures, unless otherwise noted. The amounts presented in the report are rounded, so the sum of individual figures may differ from the sum reported. This report is unaudited.

The Group has adopted a new option plan for key persons as of beginning of the year 2019. In the Group incentive plan payments can be made in the form of equity instruments. The benefits granted under the plans are recognized at fair value on the date on which they were granted and entered as costs evenly throughout the period during which they were earned. The effect of the plans on profit or loss is presented under costs of employee benefits. At the end of the year 2018 the Group did not have any option plans. During the reporting period, the Group did not have any financial instruments measured at fair value.

Definitions for key indicators can be found in the end of the latest annual report, on page 55: <https://www.qpr.com/investors/financial-information/annual-reports>

INTANGIBLE AND TANGIBLE ASSETS

EUR in thousands	Jan-Dec, 2019	Jan-Dec, 2018
Increase in intangible assets:		
Acquisition cost Jan 1	10,057	9,318
Increase	1,102	739
Increase in tangible assets:		
Acquisition cost Jan 1	2,433	1,821
Increase	54	50

PLEDGES AND COMMITMENTS

EUR in thousands	Dec 31, 2019	Dec 31, 2018	Change, %
Business mortgages (held by the Company)	1,385	1,386	0

Minimum lease payments based on lease agreements:			
Maturing in less than one year	17	267	-94
Maturing in 1-5 years	0	254	-100
Total	17	521	-97
Total pledges and commitments	1,402	1,907	-26

CHANGE IN INTEREST-BEARING LIABILITIES

EUR in thousands	Jan-Dec, 2019	Jan-Dec, 2018
Interest-bearing liabilities Jan 1	562	-
Proceeds from short term borrowings	500	-
Repayments	278	-
Interest-bearing liabilities Dec 31	784	-

RECONCILIATION OF LEASE LIABILITY

EUR in thousands	
Minimum lease payments based on lease agreements as of Dec 31, 2018	521
Relief option for short- term leases	-6
Other incl. treatment of extension options	59
Effect of discounting*	-12
Lease liability as of Jan 1, 2019	562

LEASES

Due to the adoption of the new IFRS 16 Leases -standard, the balance sheet as at December 31, 2019 and the income statement of the reporting period January - December include the following items in right-of-use assets of material assets, lease liabilities, depreciation and interest expenses.

LEASES IN THE BALANCE SHEET

EUR in thousands	Dec 31, 2019
Asset	
Non-current assets	
Tangible assets	281
Total	281
Equity and liabilities	
Lease liabilities, current	284
Total	284

LEASES IN THE INCOME STATEMENT

EUR in thousands	Jan-Dec, 2019
Other lease expenses	0
Depreciation of right-of-use assets	-281
Interest expenses	-9
Total	-290

CONSOLIDATED INCOME STATEMENT BY QUARTER

EUR in thousands	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Net sales	2,499	1,981	2,285	2,748	2,671	2,222
Other operating income	-	-	0	-	0	0
Materials and services	379	243	260	263	335	218
Employee benefit expenses	1,743	1,375	1,644	1,693	1,667	1,321
Other operating expenses	178	175	228	296	308	336
EBITDA	199	188	153	497	362	348
Depreciation and amortization	322	307	310	310	231	239
Operating result	-123	-119	-158	187	130	109
Financial income and expenses	-3	3	-6	-20	-2	4
Result before tax	-126	-116	-164	167	128	113
Income taxes	7	31	66	-26	62	-22
Result for the period	-119	-85	-98	141	189	91

GROUP KEY FIGURES

EUR in thousands, unless otherwise indicated	Jan-Dec or Dec 31, 2019	Jan-Dec or Dec 31, 2018
Net sales	9,513	10,047
Net sales growth, %	-5.3	12.4
EBITDA	1,036	1,470
% of net sales	10.9	14.6
Operating result	-213	521
% of net sales	-2.2	5.2
Result before tax	-240	335
% of net sales	-2.5	3.3
Result for the period	-161	320
% of net sales	-1.7	3.2
Return on equity (per annum), %	-5.7	11.4
Return on investment (per annum), %	-5.9	18.9
Cash and cash equivalents	1,035	505
Net borrowings	-251	-505
Equity	2,762	2,873
Gearing, %	-9.1	-17.6
Equity ratio, %	44.5	48.6
Total balance sheet	7,007	6,436
Investments in non-current assets	1156	790
% of net sales	12.2	7.9
Product development expenses	2,293	1,989
% of net sales	24.1	19.8
Average number of personnel	82	81
Personnel at the beginning of period	84	76
Personnel at the end of period	83	84
Earnings per share, EUR (basic and diluted)	-0.013	0.027
Equity per share, EUR	0.222	0.231

Adoption of IFRS16 has affected key figures, which in that sense are not fully comparable.