

Half-Year Report

1 January 2017–30 June 2017

Second quarter: Business proceeded as planned, full-year outlook unchanged

April–June 2017

- » Net sales decreased by 1.6 per cent to EUR 8,788 thousand (8,935)*. The most significant reason for the decrease in net sales was an exceptionally large license sale recorded in the corresponding period last year
- » The operating result was EUR -188 thousand (-783).
- » The operating margin (EBIT %) was -2.1 per cent (-8.8%).
- » Earnings per share were EUR -0.01 (-0.04)

January–June 2017

- » Net sales increased by 8.4 per cent to EUR 17,434 thousand (16,084)
- » The operating result was EUR -1,204 thousand (-530)
- » The operating margin (EBIT %) was -6.9 per cent (-3.3%).
- » Earnings per share were EUR -0.06 (-0.04)

* the figures in brackets refer to the comparison period, i.e. the corresponding period in the previous year.

Juha Varelius, President and CEO:

Qt Group's net sales in the second quarter amounted to EUR 8.8 million, which represents a year-on-year decrease of 1.6 per cent. The most significant reason for the decrease in net sales in the second quarter was an exceptionally large license sale recorded in the corresponding period last year. License sales and consulting decreased by 12.5 per cent combined, while support and maintenance revenue grew by 23.2 per cent. The growth of license sales was in line with our plans, but the net sales of consulting services fell short of our target.

Net sales for the first half of the year amounted to EUR 17.4 million, up 8.4 per cent year-on-year. License sales and consulting grew by 2.7 per cent and support and maintenance by 19.6 per cent.

As expected, the operating result for the first half of the year showed a loss. Investments required for growth have been pursued systematically during the beginning of the year and accelerated after the successfully completed rights issue. Qt had 256 employees at the end of the review period, compared to 220 at the end of 2016 and 239 at the end of the first quarter. New employees have been recruited particularly in sales as part of the planned growth of the sales network. During the first half of the year, we also invested in product management and product development, and we have particularly strengthened our product offering aimed at the automotive industry.

The automotive industry offers high future growth potential and it has adopted Qt as one of its basic technologies for implementing digital in-vehicle entertainment and control software. Qt engages in business and development activities with many of the world's leading car manufacturers.

In spite of our moderate growth in the first half of the year, we still estimate that our full-year net sales in 2017 will increase by 15–20 per cent year-on-year. Continued strong demand provides a solid foundation for the second half of the year and supports the achievement of our growth targets for the full year. Due to investments in line with our growth strategy, the company's operating result will show a substantial loss in 2017.

Net sales

Qt's net sales in the second quarter amounted to EUR 8,788 thousand (EUR 8,935 thousand), down 1.6 per cent. License sales and consulting decreased by 12.5 per cent, while support and maintenance revenue grew by 23.2 per cent.

Qt's net sales for the first half of the year amounted to EUR 17,434 thousand (EUR 16,084 thousand), up 8.4 per cent. License sales and consulting grew by 2.7 per cent and support and maintenance by 19.6 per cent.

Profit performance

Qt's operating result in the second quarter was EUR -188 thousand (EUR -783 thousand). The operating result for the first half of the year was EUR -1,204 thousand (EUR -530 thousand).

The other operating income includes tax-free research and development investment grants received by the company in Norway, totalling approximately EUR 389 thousand. The grants concern the applicable personnel expenses related to the research and development activities of Qt's Norwegian company, and they will be paid to the company in the second half of 2017.

The Group's operating expenses, including materials and services, personnel expenses, depreciation and other operating expenses, amounted to EUR 19,096 thousand (EUR 16,666 thousand) in the first half of the year, up 14.6 per cent year-on-year. Personnel expenses accounted for 66.6 per cent (68.6%) of operating expenses, or EUR 12,711 thousand (EUR 11,438 thousand).

Qt's earnings before tax for the first half of the year totalled EUR -1,447 thousand (EUR -817 thousand) and the result was EUR -1,322 thousand (EUR -837 thousand). Taxes for the first half of the year amounted to EUR 125 thousand (EUR -19 thousand).

Earnings per share were EUR -0.06 in the first half of the year (EUR -0.04).

Financing and investments

Cash flow from operating activities was EUR 1,675 thousand (EUR -2,050 thousand) in the first half of the year due to the operating result and cash being tied up in working capital.

The subscription period for the rights offering resolved on by the Board of Directors of Qt Group Plc on 14 March 2017 ended on 5 April 2017, and the company announced the final result of the offering in a stock exchange release on 12 April 2017. The company raised gross proceeds of approximately EUR 15.3 million from the rights offering.

Qt's cash and cash equivalents totalled EUR 13,362 thousand (EUR 5,693 thousand) at the end of the first half of the year. A loan of EUR 6.0 million, granted by Ilmarinen Mutual Pension Insurance Company, was repaid in full in May 2017.

Qt Group's consolidated balance sheet total at the end of the first half of the year stood at EUR 38,010 thousand (EUR 29,653 thousand). Net cash flow from investments in the first half of the year was EUR -123 thousand (EUR -283 thousand).

The equity ratio stood at 77.6 per cent (41.5%) and gearing was -59.7 per cent (6.8%). Interest-bearing liabilities amounted to EUR 161 thousand (EUR 6,302 thousand), of which short-term loans accounted for EUR 108 thousand (EUR 194 thousand).

In the first half of the year, return on investment was -8.1 per cent (-3.5%) and return on equity was -6.0 per cent (-9.3%).

Personnel

The number of Qt's personnel was 240 (207) on average during the review period and 256 (214) at the end of the review period. At the end of the review period, international personnel represented 67 per cent (69%) of the total.

Other events in the review period

Governance

Qt Group Plc's Annual General Meeting (AGM) held on 14 March 2017 adopted the company's annual accounts, including the consolidated annual accounts for the accounting period 1 January–31 December 2016, and discharged the members of the Board of Directors and the Chief Executive Officer from liability. The AGM resolved, in accordance with the Board's proposal, that no dividend will be paid based on the balance sheet adopted for the accounting period that ended on 31 December 2016.

The AGM resolved on the remuneration of the company's Board of Directors and auditors, decided that the number of members on the Board of Directors would be five (5) and elected the company's Board of Directors. Robert Ingman, Matti Rossi, Leena Saarinen, Tommi Uhari and Kai Öistämö were re-elected as members of Qt Group Plc's Board of Directors. At its organising meeting held after the AGM, the Board of Directors elected Robert Ingman as its Chairman and Tommi Uhari as the Vice Chairman.

The Annual General Meeting granted the following authorisations to the Board of Directors of Qt Group Plc:

Authorising the Board of Directors to decide on repurchasing the company's own shares and/or accepting them as collateral

The AGM authorised the Board of Directors to decide on the repurchase and/or acceptance as collateral of a maximum of 2,000,000 of the company's own shares by using funds in the unrestricted equity.

According to the authorisation, the Board will decide on how these shares are to be purchased. The shares may be repurchased in a proportion other than that of the shares held by the current shareholders. The authorisation also includes the acquisition of shares through public trading organised by Nasdaq Helsinki Ltd in accordance with its and Euroclear Finland Ltd's rules and instructions, or through offers made to shareholders.

Shares may be acquired in order to improve the company's capital structure, to finance or carry out acquisitions or other arrangements, to implement share-based incentive schemes, to be transferred for other purposes, or to be cancelled.

The shares shall be repurchased for a price based on the fair value quoted in public trading. The authorisation is valid for 18 months from the issue date of the authorisation, i.e. until 14 September 2018, and it replaces any earlier authorisations on the repurchase and/or acceptance as collateral of the company's own shares.

Authorising the Board of Directors to decide on a rights issue

The AGM authorised the Board to decide on the issuance of a maximum total of 4,500,000 new shares or treasury shares in one or several rights issues pursuant to the pre-emptive subscription rights of the shareholders.

The authorisation is valid until 31 December 2017. The authorisation does not replace any earlier authorisations on share issues and the granting of special rights.

The authorisation includes the Board of Directors' right to decide on all terms relating to the share issue(s).

Authorising the Board of Directors to decide on a share issue and the granting of special rights entitling to shares
The AGM authorised the Board to decide on a share issue and the granting of special rights pursuant to Chapter 10, Section 1, of the Companies Act, subject to or free of charge, in one or several tranches on the following terms.

The maximum total number of shares to be issued by virtue of the authorisation is 2,000,000. The authorisation concerns both the issuance of new shares as well as the transfer of treasury shares. By virtue of the authorisation, the Board of Directors is entitled to decide on share issues and the granting of special rights waiving the pre-emptive subscription rights of the shareholders (directed issue).

The authorisation may be used in order to finance or carry out acquisitions or other arrangements, to carry out the company's share-based incentive schemes and to improve the capital structure of the company, or for other purposes decided by the Board of Directors.

The authorisation includes the Board of Directors' right to decide on all terms relating to the share issue and granting of special rights including the subscription price, its payment and its entry into the company's balance sheet.

The authorisation is valid for 18 months from the issue date of the authorisation, i.e. until 14 September 2018, and it does not replace any earlier authorisations on share issues and the granting of special rights. The authorisation does not replace any earlier authorisations on share issues and the granting of special rights.

Based on the authorisation granted by the AGM, the Board of Directors of Qt Group Plc resolved on 14 March 2017 on a rights offering of a maximum of EUR 15.3 million. In the rights offering, the company offered a maximum of 2,974,039 new shares to its shareholders for subscription in proportion to their current shareholding in the company. The subscription price for the offered shares was EUR 5.15 per share.

The company announced the final result of the rights offering in a stock exchange release published on 12 April 2017. A total of 3,431,175 shares were subscribed for in the rights offering. The Board of Directors accepted all primary subscriptions and secondary subscriptions in accordance with the terms and conditions of the offering, with a total of 2,974,039 new shares issued in the rights offering and registered with the Trade Register maintained by the Finnish Patent and Registration Office on 13 April 2017. As a result of the rights offering, the total number of shares in the company increased to 23,792,312.

Events after the review period

The company had no other significant events deviating from normal business operations after the end of the review period.

Risks and uncertainties

The company's short-term risks and uncertainties are related to potential significant changes in the company's business operations as well as the retention and recruitment of the personnel required for business development. Exchange rate fluctuations, particularly between the US dollar and euro, may have a large impact on the development of company's net sales. Another factor contributing to considerable fluctuation in quarterly net sales and profitability in particular is contract turnaround times which, in the major customer segment, are very long at up to 18 months.

The company's business risks and preparations for them are also described on the company website at www.qt.io.

Future outlook

Operating environment and market outlook

The company estimates the growth prospects for its business in the next few years as very promising.

The Group's business development efforts will particularly focus on embedded systems in the automotive sector, digital TV and industrial automation. Areas targeted in product development include value-added features and tools required for building embedded systems.

Sales growth associated with embedded systems will also reflect on the earnings logic. Volume-based license revenue from these sales accumulates over the long term. Consequently, the company anticipates no major impact from embedded systems sales growth on consolidated net sales in 2017.

Outlook 2017

The company will invest significantly in developing its operations and increasing its sales resources in line with its strategy. The company estimates that its net sales in 2017 will increase by 15–20 per cent year-on-year. Continued strong demand provides a solid foundation for the second half of the year and supports the achievement of our growth targets for the full year. Due to investments in growth, the company's operating result will show a substantial loss in 2017.

Helsinki, 9 August 2017

Qt Group Plc

Board of Directors

Communications

Qt Group will hold a briefing on this half-year report for analysts on Thursday, 10 August 2017 at 11:00 am, in the Eino Leino cabinet of Hotel Kämp, Pohjoisesplanadi 29, 00100 Helsinki, Finland. Welcome.

The half-year report and CEO's presentation will be available in the Investors section at www.qt.io from 11:00 am on 10 August 2017.

Further information

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Summary of financial statements and notes to the financial statements 1 January–30 June 2017

Accounting principles

This half-year financial report was prepared in compliance with IAS 34 Interim Financial Reporting. The information presented in this half-year financial report has not been audited.

The preparation of IFRS financial statements requires the application of judgement by the management to make estimates and assumptions that affect the reported amounts of assets and liabilities on the balance sheet date and the reported amounts of income and expenses for the financial year. The management also has to make judgements when applying the accounting policies of the Group. As the estimates and related assumptions are based on the management's view at the end of the review period, they include risks and uncertainties. Actual results may differ from the estimates and assumptions used. The figures shown in the income statement and balance sheet are consolidated figures. As the figures in this report are independently rounded, the sums of individual figures may deviate from the sum figures shown.

IFRS 15 Revenue from Contracts with Customers (effective for financial years beginning on or after 1 January 2018): The essential concepts in IFRS 15 have been analysed with respect to revenue streams. Qt Group's revenue streams consist of license, support, maintenance and consulting sales. According to the assessment that was conducted, the new standard will not significantly change revenue recognition. The company is currently in the process of documenting the impacts of the standard.

Segment reporting

Qt reports one business segment. The reported segment covers the entire Group and its figures are congruent with the consolidated figures.

Information on products and services

Qt reports its net sales by type as follows: License sales and consulting, and support and maintenance revenue. License sales includes developer licenses and distribution licenses (runtimes).

EUR 1,000	4–6/2017	4–6/2016	Change, %	1–6/2017	1–6/2016	Change, %	1–12/2016
License sales and consulting	5,436	6,215	-12.5%	10,935	10,651	2.7%	21,073
Maintenance revenue	3,352	2,720	23.2%	6,499	5,433	19.6%	11,322
Group total	8,788	8,935	-1.6%	17,434	16,084	8.4%	32,395

Geographical information

The geographical distribution of personnel:

PERSONNEL	4–6/2017	4–6/2016	Change, %	1–6/2017	1–6/2016	Change, %	1–12/2016
(on average)							
Finland	81	66	23%	78	64	21%	64
Rest of Europe & APAC	134	117	14%	130	115	13%	118
North America	34	30	14%	32	28	14%	27
Group total	249	213	17%	240	207	16%	209

Consolidated income statement

EUR 1,000	4–6/2017	carve out 4–6/2016	Change, %	1–6/2017	carve out 1–6/2016	Change, %	carve out 1–12/2016
Net sales	8,788	8,935	-1.6%	17,434	16,084	8.4%	32,395
Other operating income	465	10	4,542.2%	458	52	779.8%	528
Materials and services	-337	-508	-33.6%	-821	-679	21.1%	-2,313
Employee benefits expenses	-6,319	-6,367	-0.8%	-12,711	-11,438	11.1%	-22,990
Depreciation and amortisation	-243	-229	6.1%	-473	-367	28.9%	-866
Other operating expenses	-2,541	-2,624	-3.1%	-5,090	-4,183	21.7%	-8,489
 Operating result	 -188	 -783	 -76.0%	 -1,204	 -530	 127.2%	 -1,736
 Financial expenses (net)	 -59	 -219	 -73.3%	 -243	 -287	 -15.5%	 -541
 Profit before taxes	 -247	 -1,003	 -75.4%	 -1,447	 -817	 77.1%	 -2,277
 Income taxes	 -47	 86		 125	 -19		 530
 Net profit for the review period	 -293	 -917	 -68.0%	 -1,322	 -837	 57.9%	 -1,747
 Other comprehensive income:							
Items which may be reclassified subsequently to profit or loss:							
 Exchange differences on translation of foreign operations	 -56	 124		 -13	 84		 28
 Total comprehensive income for the review period	 -349	 -793	 -55.9%	 -1,335	 -753	 77.3%	 -1,720
 Distribution of comprehensive income for the review period:							
 Parent company shareholders	 -293	 -917	 -68.0%	 -1,322	 -837	 57.9%	 -1,747
 Distribution of comprehensive income for the review period:							
 Parent company shareholders	 -349	 -793	 -55.9%	 -1,335	 -753	 77.3%	 -1,720
 Earnings per share, EUR	 -0.01	 -0.04		 -0.06	 -0.04		 -0.08

Consolidated statement of financial position

Assets

EUR 1,000	30 June 2017	30 June 2016	31 December 2016
Non-current assets			
Goodwill	6,562	6,562	6,562
Other intangible assets	5,116	5,648	5,360
Tangible assets	529	635	567
Long-term receivables	1,616	97	952
Total non-current assets	13,823	12,943	13,441
Current assets			
Trade and other receivables	10,825	11,018	9,582
Cash and cash equivalents	13,362	5,693	6,420
Total current assets	24,187	16,710	16,002
Total assets	38,010	29,653	29,443

Shareholders' equity and liabilities

EUR 1,000	30 June 2017	30 June 2016	31 December 2016
Shareholders' equity			
Share capital	500	500	500
Unrestricted shareholders' equity reserve	23,667	8,720	8,720
Translation difference	619	689	633
Retained earnings	-1,377	-52	160
Net profit for the review period	-1,322	-837	-1,747
Total shareholders' equity	22,098	9,021	8,265
Liabilities			
Long-term interest-bearing liabilities	52	6,108	55
Deferred tax liabilities	431	195	293
Other long-term liabilities	461	390	461
Total long-term liabilities	944	6,693	809
Short-term interest-bearing liabilities	108	194	6,152
Other short-term liabilities	14,861	13,745	14,217
Total short-term liabilities	14,969	13,938	20,369
Total liabilities	15,913	20,631	21,179
Shareholders' equity and liabilities	38,010	29,653	29,443

Consolidated cash flow statement

EUR 1,000	1 January–30 June 2017	carve-out 1 January–30 June 2016	carve-out 31 December 2016
Earnings before tax	-1,447	-817	-2,277
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Adjustments to net profit			
Depreciation and amortisation	396	367	695
Other adjustments	454	287	754
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Change in working capital			
Change in trade and other receivables	-1,256	-2,877	-1,373
Change in accounts payable and other liabilities	618	1,297	1,621
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Interest paid	-200	-287	-513
Other financial items	-42	0	-28
Taxes paid	-197	-19	-263
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Cash flow from operations	-1,675	-2,050	-1,385
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Purchases of tangible and intangible assets	-123	-283	-374
Cash flow from investments	-123	-283	-374
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Repayments of current loans	-6,000	-359	-346
Withdrawals of non-current loans		6,000	6,000
Repayments of non-current loans		-1,188	-1,188
Rights offering	14,957		
Cash flow from financing	8,957	4,453	4,466
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Change in cash and cash equivalents	7,159	2,119	2,707
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Cash and cash equivalents at the beginning of the review period	6,420	3,577	3,577
Net foreign exchange difference	-216	-4	136
Cash and cash equivalents at the end of the review period	13,362	5,692	6,420

Consolidated statement of changes in shareholders' equity

EUR 1,000	Invested equity and retained earnings	Share capital	Unrestricted shareholders' equity reserve	Translation difference	Retained earnings	Total shareholders' equity
Shareholders' equity 1						
January 2016	8,314	0	0	605	0	8,919
Comprehensive income for the period 1–4/2016						
Net profit for the review period	526					526
Other comprehensive income				97		97
Demerger-related transactions	855					855
Demerger 30 April 2016	-9,694	500	8,720		474	0
Shareholders' equity 1 May 2016	0	500	8,720	702	474	10,396
Comprehensive income for the period 5–6/2016						
Net profit for the review period					-2,273	-2,273
Stock option programme					211	211
Other comprehensive income				-69		-69
Shareholders' equity 31						
December 2016	0	500	8,720	633	-1,588	8,265
Shareholders' equity 1 January						
2017	0	500	8,720	633	-1,588	8,265
Comprehensive income for the period 1–6/2016						
Net profit for the review period					-1,322	-1,322
Stock option programme					211	211
Other comprehensive income				-13		-13
Rights offering			14,957			14,957
Shareholders' equity 30 June						
2017	0	500	23,677	619	-2,699	22,098

The Group's contingent liabilities

EUR 1,000	30 June 2017	30 June 2016	31 December 2016
Pledges given on own behalf			
Corporate mortgage	0	7,800	7,800
Guarantees	458	488	490
Total	458	8,288	8,290
Other own commitments			
Other leases			
Lease liabilities maturing within one year	1,374	859	1,315
Lease liabilities maturing within one to five years	1,896	2,052	1,469
Lease liabilities maturing later	0	63	0
Total	3,270	2,974	2,784
Pledges, mortgages and contingent liabilities total	3,728	11,261	11,073

Consolidated key figures

EUR 1,000	4–6/2017	carve out 4–6/2016	1–6/2017	carve out 1–6/2016	carve out 1–12/2016
Net sales	8,788	8,935	17,434	16,084	32,395
Operating profit	-188	-783	-1,204	-530	-1,736
- % of net sales	-2.1%	-8.8%	-6.9%	-3.3%	-5.4%
Net profit	-293	-917	-1,322	-837	-1,747
- % of net sales	-3.3%	-10.3%	-7.6%	-5.2%	-5.4%
Return on equity %	-1.3%	-10.2%	-6.0%	-9.3%	-21.1%
Return on investment %	-0.4%	-5.1%	-8.1%	-3.5%	-12.0%
Interest-bearing liabilities	161	6,302	161	6,302	6,207
Cash and cash equivalents	13,362	5,693	13,362	5,693	6,420
Net gearing %	-59.7%	6.8%	-59.7%	6.8%	0.7%
Equity ratio %	77.6%	41.5%	77.6%	41.5%	40.0%
Earnings per share, EUR*	-0.01	-0.04	-0.06	-0.04	-0.08

*Share issue Q2/2017

Calculation formulas for key figures

Return on equity

$$\frac{\text{Profit/loss before taxes} - \text{taxes}}{\text{Shareholders' equity} + \text{minority interest (average)}} \times 100$$

Return on investment

$$\frac{(\text{Profit/loss before taxes} + \text{interest and other financing costs})}{\text{Balance sheet total} - \text{non-interest bearing liabilities (average)}} \times 100$$

Gearing

$$\frac{\text{Interest-bearing liabilities} - \text{cash, bank receivables and financial securities}}{\text{Shareholders' equity}} \times 100$$

Equity ratio

$$\frac{\text{Shareholders' equity} + \text{minority interest}}{\text{Balance sheet total} - \text{advance payments received}} \times 100$$

Share and shareholders

On 30 June 2017, the number of Qt Plc shares totalled 23,792,312 (20,818,273).

According to Euroclear Finland Ltd, the company had 4,114 shareholders on 30 June 2017.

The ten largest shareholders on 30 June 2017

Shareholder	Percentage of shares and votes
INGMAN DEVELOPMENT OY AB	21.6%
ILMARINEN MUTUAL PENSION INSURANCE COMPANY	14.6%
HALLIKAINEN JYRKI SAKARI	7.4%
KARVINEN KARI JUHANI	4.8%
VARMA MUTUAL PENSION INSURANCE COMPANY	4.7%
SAVOLAINEN MATTI ILMARI	3.9%
AKTIA CAPITAL INVESTMENT FUND	2.6%
SÄÄSTÖPANKKI SMALL CAP INVESTMENT FUND	1.6%
AKTIA NORDIC SMALL CAP INVESTMENT FUND	1.6%
MANDATUM LIFE UNIT-LINKED	1.2%

Distribution of holdings by number of shares held on 30 June 2017

Number of shares	Shareholders	Percentage of shares and votes
1–100	21.0%	0.2%
101–1,000	56.9%	3.8%
1,001–10,000	19.2%	8.7%
10,001–100,000	2.2%	11.5%
100,001–1,000,000	0.5%	22.8%
1,000,001–9,999,999	0.1%	53.1%

Shareholding by sector on 30 June 2017

Number of shares	Shareholders	Shares
Non-financial corporations	4.7%	28.2%
Financial and insurance corporations	0.6%	12.2%
General government	0.0%	19.3%
Not-for-profit institutions serving households	0.2%	0.3%
Households	94.3%	39.7%
Foreign holding	0.1%	0.3%

The number of outstanding shares at the end of the review period was 23,792,312.