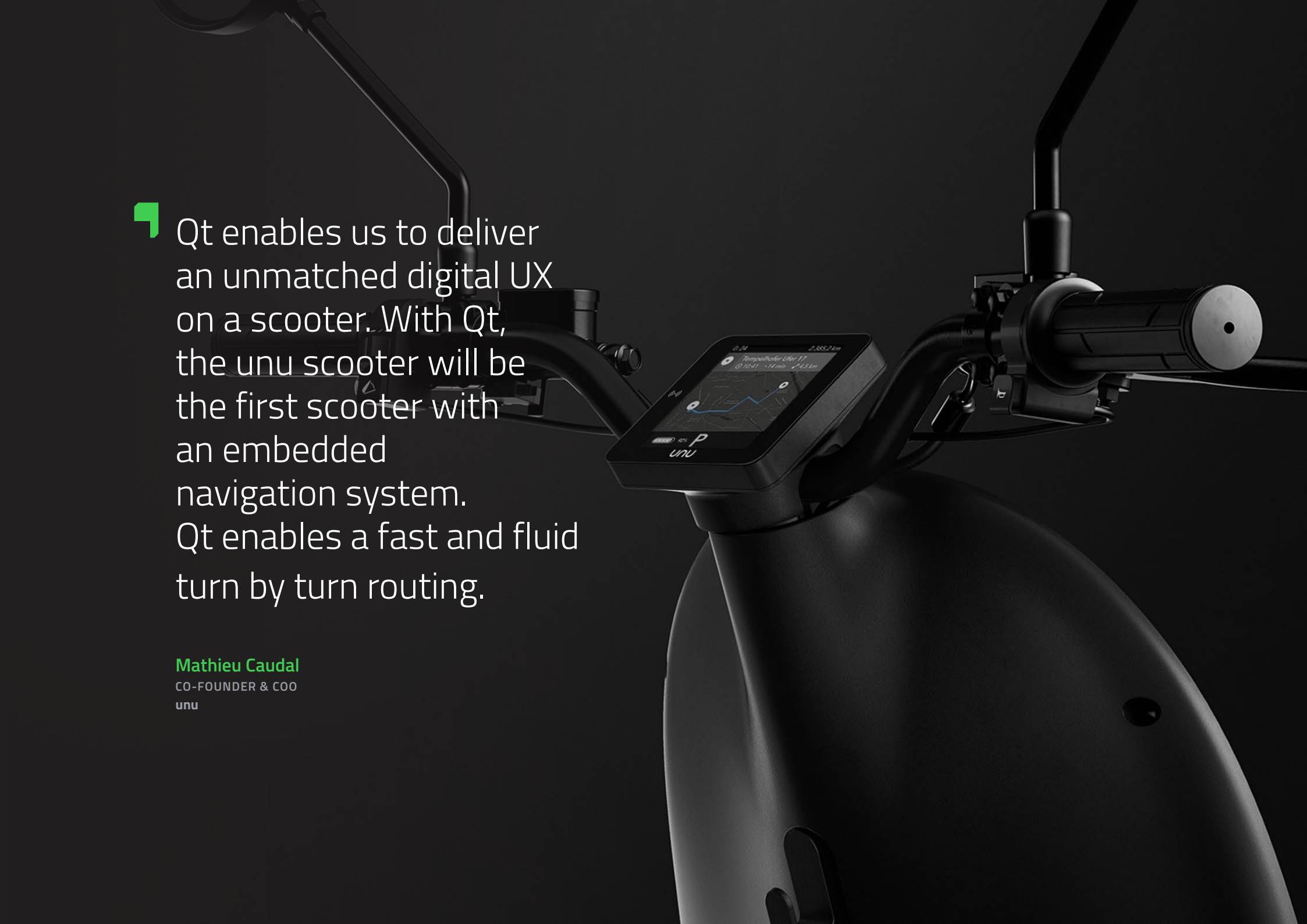




# The Future is Written with Qt

Annual Report 2019



Qt enables us to deliver an unmatched digital UX on a scooter. With Qt, the unu scooter will be the first scooter with an embedded navigation system. Qt enables a fast and fluid turn by turn routing.

**Mathieu Caudal**

CO-FOUNDER & COO

unu

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[investors.qt.io](https://investors.qt.io)



# Qt Group in 2019

## NET SALES MEUR

58.4

\* 45.6



219

## OPERATING RESULT

EUR THOUSAND

\* -2,322

0.37%

## OPERATING MARGIN

% OF NET SALES

\* -5.1%

1.1%

## RETURN ON INVESTMENT

\* -11.6%

54.3%

## EQUITY RATIO

\* 71.2%

-0.01

## EARNINGS PER SHARE

EUR

\* -0.10

331

## PERSONNEL ON AVERAGE

\* 295

\* 2018

Listed on Nasdaq OMX Helsinki since 2 May 2016.

## President and CEO's review

# Strategy proceeds as planned – growth nearly 30%

Qt Group continued to operate successfully and grow strongly in 2019. We grew as expected on all fronts and our net sales increased by 28 percent. We also strengthened our position in key sectors such as the automotive industry, consumer electronics and industrial automation.

Growth was also visible within our organization. We continued to recruit in different markets, and our number of employees increased to 340.

We also expanded our product offering. Thanks to 'Qt for MCUs' (that was launched at the end of the year,) our technology can now also be used with very low-cost hardware. This will further diversify our ecosystem.

Along with successful new customer acquisition, we deepened our existing customer relationships. A good example of this is our multi-year partnership with LG Electronics, which developed to a strategic level at the end of last year. The partnership covers collaboration in developing technological and business opportunities in the embedded space. Together with LG Electronics, we intend to introduce the webOS operating system to new customers and promote its use



on more devices. The expansion of our customer base and the deepening of partnerships show that Qt is a complete product that works and is highly scalable.

More and more of our customers' industries are in transition as the value of products shifts from hardware to software and services. Qt accelerates this transition, which in turn supports Qt's growth potential.

Our customers are responding to the change by using our tools to build visually appealing and feature-rich digital user interfaces. Our application framework is designed to enhance employee productivity. This is supported, for example, by our successful long-term efforts in improving the Designer-Developer workflow. According to our 2019 customer satisfaction survey, 84% of respondents said that their development work had accelerated with the introduction of Qt technology. This has a direct positive impact on, for instance, the speed of our customers' product development and the efficiency of their product development teams.

Qt technology also combines cost savings, flexibility and easy customization of the development platform. For instance, our customers gain cost savings through the cross-platform nature of Qt's solution. A cross-platform framework removes the need to rewrite applications for different devices or oper-

Qt-technology also combines cost savings, flexibility and easy customization of the development platform.

ating systems and spares the customer the maintenance of multiple development tools.

The fact that Qt technology can serve both small memory devices and large embedded systems is a good example of flexibility. Simplified differentiation and other features of our technology provide our customers with the ability to develop visually appealing and intuitive touch displays, which represent modern user interfaces.

Highlights of the year included our Qt World Summits in Berlin and Tokyo. These events attracted a large number of our global partners, customers and other audiences. The popularity of the event in Japan was yet another gratifying indication of the growing interest of the Asian market in Qt technology. The real-life examples highlighted in our customers' keynote speeches illustrated how Qt technology helps them

streamline their software development processes, create first-class user experiences and speed up the time-to-market of their products. Speakers at the events included representatives from Amazon Web Services, Suzuki Motor Corporation, Toyota Motor Corporation and Omron.

I would like to thank our customers and partners for their co-operation, faith and commitment to Qt. I would also like to extend my warmest thanks to all of our employees for their hard work in driving the company's success, and to our investors for the confidence they have placed in us.

**Juha Varelius**  
President and CEO  
Qt Group Plc

# Board of Directors' Report

## Summary of fiscal year 2019

- Net sales increased by 28 percent to EUR 58,373 thousand (45,590)\*. At comparable exchange rates, net sales increased by 23.8 percent.
- Net sales of distribution licenses grew by 21.4 percent to EUR 14,556 thousand (11,990).
- The operating result was EUR 219 thousand (-2,322).
- The operating margin (EBIT %) was 0.4 percent (-5.1%).
- Earnings per share were EUR -0.01 (-0.10).

\* The figures in brackets refer to the comparison period, i.e. the corresponding period in the previous year. The reporting complies with the International Financial Reporting Standards (IFRS).

## Fiscal year 2019

### NET SALES

Full-year net sales for 2019 increased by 28 percent year-on-year and amounted to EUR 58,373 thousand (EUR 45,590 thousand). License sales and consulting grew by 32.2 percent and maintenance revenue grew by 19.5 percent. As part of license sales and consulting, the net sales of distribution licenses grew by 21.4 percent to EUR 14,556 thousand (EUR 11,990 thousand). The effect of exchange rates on the comparison period's net sales was EUR 1,551 thousand and at comparable exchange rates, net sales increased by 23.8 percent.

Qt's net sales for the fourth quarter amounted to EUR 16,907 thousand (EUR 11,138 thousand), up 51.8 percent. License sales and consulting grew by 72.5 percent, while maintenance revenue increased by 16.2 percent. The effect of exchange rates on the comparison period's net sales was EUR 187 thousand and at comparable exchange rates, net sales increased by 49.3 percent.

### PROFIT PERFORMANCE

Qt's operating result for the period under review October–December 2019 was EUR -48 thousand (EUR -1,651 thousand). The operating result for the financial year was EUR 219 thousand (EUR -2,322 thousand). Expenses for the period under review were particularly increased by subcontracting costs, which were allocated on product development and a performance-based bonus scheme for revenue growth.

The other operating income includes income from events held and tax-free research and development investment grants received by the company in Norway, totalling approximately EUR 351 thousand (EUR 436 thousand). The grants concern the applicable personnel expenses related to the research and development activities of Qt's Norwegian company, and they were paid to the company in the second half of 2019.

The company's operating expenses, including materials and services, personnel expenses, depreciation and other operating expenses, amounted to EUR 17,636 thousand (EUR 13,380 thousand) in the fourth quarter, up 31.8 percent year-on-year. Personnel expenses accounted for 62.6 percent (61.7%) of operating expenses, or EUR 11,040 thousand (EUR 8,262 thousand).

The company's net financial expenses in the fourth quarter amounted to EUR 66 thousand (EUR 54 thousand), due to translation differences in currency-denominated internal receivables and debts related to the financing of international subsidiaries.

Qt's earnings before tax for the fourth quarter totaled EUR 18 thousand (EUR -1,597 thousand) and the result was EUR -205 thousand (EUR -1,451 thousand). Taxes for the period under review amounted to EUR -222 thousand (EUR 146 thousand positive, which was due to deferred tax assets recognized for losses).

Earnings per share totaled EUR -0.01 during the fourth quarter (EUR -0.06).

## FINANCING AND INVESTMENTS

Cash flow from operating activities during the financial year was EUR 6,110 thousand (EUR -1,230 thousand) due to positive result, advances received and partly also due to reporting according to the IFRS 16 Leases standard.

Qt's cash and cash equivalents totaled EUR 11,944 thousand (EUR 9,702 thousand) at the end of the financial year.

Qt Group's consolidated balance sheet total at the end of the financial year stood at EUR 49,996 thousand (EUR 38,760 thousand). Net cash flow from investments in the financial year was EUR -465 thousand (EUR -797 thousand).

The equity ratio was 54.3 percent (71.2%) and gearing was -46.4 percent (-49.5%). Interest-bearing liabilities amounted to EUR 4,081 thousand (EUR 630 thousand) of which short-term loans accounted for EUR 1,625 thousand (EUR 391 thousand). Significant changes in loan amounts are the result of IFRS 16 Leases standard, effective from January 1, 2019, when new assets and liabilities have been recognized in the balance sheet, mainly from business premise and vehicle leases.

The return on investment for the financial year was 1.1 percent (-11.6%) and return on equity was -2.0 percent (-12.4%).

## RESEARCH AND DEVELOPMENT

Product development expenses are included in the result for the fiscal year in their entirety and the company has no capitalized product development expenses on its balance sheet.

Product development expenses during the fiscal year totaled EUR 12,865 thousand (EUR 10,863 thousand), accounting for 22 percent (23.8%) of net sales. Product development expenses increased by 18.4 percent year-on-year.

There were, on average, 119 people working in product development during the financial year (118).

### The geographical distribution of personnel:

Personnel	1-12/2019	1-12/2018	Change, %
(in an employment relationship, on average)			
Finland	95	90	6%
Rest of Europe & APAC	185	163	13%
North America	51	42	21%
<b>Group total</b>	<b>331</b>	<b>295</b>	<b>16%</b>

## PERSONNEL

The number of Group personnel was 331 (295) on average during the financial year and 340 (306) at the end of the financial year. At the end of the financial year, international personnel represented 71 percent (72%) of the total.

Personnel expenses totaled EUR 39,359 thousand (EUR 32,896 thousand) during the financial year, up 19.6 percent.



## Share and shareholders

At the end of the financial year, the Group held 131,250 treasury shares accounting for 0.55 percent of the total number of listed shares.

On December 31, 2019, the number of Qt Group Plc shares was 23,661,062 (23,792,312).

According to Euroclear Finland Ltd, the company had 5,435 shareholders on December 31, 2019.

The company did not receive any flagging notifications during the fiscal year 2019.

### THE TEN LARGEST SHAREHOLDERS ON DECEMBER 31, 2019

Shareholder	Percentage of shares and votes
Ingman Development Oy Ab	21.6%
Ilmarinen Mutual Pension Insurance Company	10.2%
Nordea Bank Abp	5.2%
Varma Mutual Pension Insurance Company	4.7%
Aktia Capital Investment Fund	4.1%
Karvinen Kari Juhani	3.9%
Savolainen Matti Ilmari	2.9%
Evli Finnish Small Cap Fund	2.6%
Aktia Nordic Small Cap Investment Fund	2.2%
Säästöpankki Small Cap Investment Fund	2.1%

### DISTRIBUTION OF HOLDINGS

#### BY NUMBER OF SHARES HELD ON DECEMBER 31, 2019

Number of shares	Shareholders	Percentage of shares and votes
1–100	33.2%	0.4%
101–1,000	51%	4.2%
1,001–10,000	13.9%	8.4%
10,001–100,000	1.4%	10.4%
100,001–1,000,000	0.4%	35.0%
1,000,001–9,999,999	0.1%	41.7%

### SHAREHOLDING BY SECTOR ON DECEMBER 31, 2019

Number of shares	Shareholders	Shares
Non-financial corporations	3.7%	29.5%
Financial and insurance corporations	0.6%	24.3%
General government	0.04%	14.8%
Not-for-profit institutions serving households	0.2%	0.4%
Households	94.9%	30.6%
Foreign holding	0.5%	0.3%
*including nominee registered	0.1%	7.2%

The number of outstanding shares at the end of the review period was 23,661,062.

## Share price and turnover

Qt Group Plc's share (trading code: QTCOM) is traded on the Nasdaq Helsinki stock exchange. A total of 3,611,918 shares changed hands during the reporting period. This accounts for 15.2 percent of the total number of shares. The volume-weighted average price of the share was EUR 11.54, with the lowest price being EUR 7.82 (January 2, 2019) and the highest price EUR 21.40 (December 30, 2019). The closing price at the end of December was EUR 21 per share, and Qt Group's market capitalization was EUR 499.6 million.

## Governance

Qt Group Plc's general meeting held on March 14, 2019, adopted the company's annual accounts, including the consolidated annual accounts for the accounting period January 1 December 31, 2018, and discharged the Members of the Board and the Chief Executive Officer from liability. The general meeting 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 December 31, 2018.

The general meeting 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, Leena Saarinen, Tommi Uhari, Jaakko Koppinen and Mikko Marsio were re-elected as members of Qt Group Plc's Board of Directors. At its organizing meeting held after the general

meeting, the Board of Directors elected Robert Ingman as its Chairman and Tommi Uhari as the Vice Chairman.

The company's Board of Directors had two (2) committees in fiscal year 2019: the Compensation and Nomination Committee and the Audit Committee. In fiscal year 2019, the Compensation and Nomination Committee was comprised of Leena Saarinen (Chairman), Robert Ingman and Tommi Uhari. The Audit Committee comprised Tommi Uhari (Chairman), Jaakko Koppinen, and Mikko Marsio.

Juha Varelius has been Qt Group Plc's President and CEO since 1 May 2016.

KPMG Oy Ab, Authorized Public Accountants, has served as the auditor of the Qt Group since 1 May 2016, with Authorized Public Accountant Kim Järvi as the principal auditor.

#### **AUTHORIZATIONS GIVEN BY THE GENERAL MEETING**

The general meeting held on March 14, 2019 granted the following authorizations to the Board of Directors of Qt Group Plc:

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

The general meeting authorized 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 authorization, 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 authorization also includes the acquisition of shares through public trading organized 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 authorization is valid for 18 months from the issue date of the authorization, i.e. until September 14, 2020, and it replaces any earlier authorizations on the repurchase and/or acceptance as collateral of the company's own shares.

##### **Authorizing the Board of Directors to decide on a share issue and the granting of special rights entitling to shares**

The general meeting authorized 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 authorization is 2,000,000.

The authorization concerns both the issuance of new shares and the transfer of shares held by the company. By virtue of the authorization, 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 authorization 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 authorization 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 authorization is valid for 18 months from the issue date of the authorization, i.e. until September 14, 2020, and it replaces any earlier authorizations on the granting of shares or special rights entitling to shares.

By virtue of the authorization granted to it by the general meeting, the Board of Directors of Qt Group Plc resolved at its meeting on February 14, 2019, on the program for key-persons' share rewards. Within this program, a reward corresponding to the value of 530,000 shares of the company at the most can be granted to keypersons in the company or its group companies. The governance, security and execution of the incentive scheme has been outsourced to Evli Awards Management Oy. According to the outsourcing arrangement, the company shall fund the acquisition of shares required for paying out rewards in the manner permitted by Chapter 13, Section 10, Clause 2 of the Limited Liability Companies Act, and Evli Awards Management shall independently perform the acquisition of such shares in the stock market.

**CORPORATE GOVERNANCE STATEMENT**

Qt Group Plc has published on its website a Corporate Governance Statement report concerning the corporate governance system in accordance with Chapter 7, Section 7 of the Securities Markets Act (746/2012). Statement has been issued separately from the Board of Directors' Report.

**Risks and uncertainties**

The company's short-term risks and uncertainties are related to the potentially 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 the company's net sales. Another factor contributing to considerable fluctuation in quarterly net sales and profitability in particular is the 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](http://www.qt.io).

**Group structure**

Qt Group Plc's subsidiary responsible for its operations in Finland is The Qt Company Oy, with subsidiaries in Norway, Germany, the United Kingdom, France, the United States, Russia, China and South Korea as well as a branch in Japan.

**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 focus on desktop applications as well as embedded systems in the automotive industry, medical devices, industrial automation and consumer electronics sectors. Product development efforts will also focus on the value-added features and tools needed in the creation of embedded systems.

Sales growth associated with embedded systems will also reflect on the earnings logic. Volume-based distribution license revenue from these sales accumulates over the long term. The company estimates that the growth of volume-based distribution license revenue from the sales of embedded systems will accelerate to a more significant degree starting from 2020.

**OUTLOOK 2020**

We estimate that our net sales in 2020 will increase by more than 20 percent year-on-year at comparable exchange rates and that the operating result shows a profit in 2020.

**Events after the end of the fiscal year**

The company does not have any significant events after the end of the fiscal year that would have affected the financial statements.

**Board of Directors' dividend proposal**

The Board of Directors of Qt Group Plc proposes to the Annual General Meeting that no dividend be paid for the fiscal year that ended on December 31, 2019.

# Consolidated key figures

EUR thousand	31.12.2019	31.12.2018
Net sales	58,373	45,590
Operating profit	219	-2,322
- % of net sales	0.37%	-5.09%
Net profit	-352	-2,391
- % of net sales	-0.6%	-5.25%
Return on equity %	-2.0%	-12.38%
Return on investment %	1.1%	-11.63%
Interest-bearing liabilities	4,081	630
Cash and cash equivalents	11,944	9,702
Net gearing %	-46.4%	-49.5%
Equity ratio %	54.3%	71.19%
Earnings per share, EUR*	-0.01	-0.10

## 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

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



# Financial Statements 2019

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## Consolidated income statement

EUR thousand	Notes	1.1.–31.12. 2019	1.1.–31.12. 2018
<b>Net sales</b>	2	<b>58,373</b>	<b>45,590</b>
Other operating income	3	1,279	1,205
Materials and services	4	-3,070	-1,729
Personnel expenses	5, 18, 22	-39,359	-32,896
Depreciation, amortization and impairment	7	-2,572	-1,073
Other operating expenses	8	-14,433	-13,419
<b>Operating result</b>		<b>219</b>	<b>-2,322</b>
Financial income	9	1,059	1,433
Financial expenses	9	-1,161	-1,632
<b>Earnings before tax</b>		<b>117</b>	<b>-2,521</b>
Income taxes	10	-469	130
<b>Net profit</b>		<b>-352</b>	<b>-2,391</b>
Distribution of comprehensive income:			
Parent company shareholders		-352	-2,391
<b>Net profit attributable to parent company shareholders, earnings per share</b>			
Undiluted earnings per share (EUR/share)	11	-0.01	-0.10

## Consolidated statement of comprehensive income

EUR thousand	Notes	1.1.–31.12. 2019	1.1.–31.12. 2018
<b>Other comprehensive income</b>			
<b>Items which may be reclassified subsequently to profit or loss:</b>			
Translation difference		17	-21
<b>Total comprehensive income</b>		<b>-336</b>	<b>-2,413</b>
Distribution of comprehensive income:			
Parent company shareholders		-336	-2,413

## Consolidated statement of financial position

### Assets

EUR thousand	Notes	31.12.2019	31.12.2018
<b>Non-current assets</b>			
Goodwill	12	6,562	6,562
Other intangible assets	12	4,082	4,555
Tangible assets	13	4,593	1,212
Long-term receivables		251	178
Deferred tax assets	14	3,463	2,985
<b>Total non-current assets</b>		<b>18,952</b>	<b>15,492</b>
<b>Current assets</b>			
Trade receivables	15	13,772	9,398
Other receivables	15	5,327	4,169
Cash and cash equivalents	16	11,944	9,702
<b>Total current assets</b>		<b>31,044</b>	<b>23,268</b>
<b>Total assets</b>		<b>49,996</b>	<b>38,760</b>

### Equity and liabilities

EUR thousand	Notes	31.12.2019	31.12.2018
<b>Shareholders' equity</b>			
Share capital	17	500	500
Unrestricted shareholders' equity reserve	17	23,651	23,651
Own shares	17	-1,922	0
Translation difference	17	540	524
Retained earnings	17, 18	-5,477	-3,965
Net profit		-352	-2,391
<b>Total shareholders' equity</b>		<b>16,940</b>	<b>18,318</b>
<b>Long-term liabilities</b>			
Deferred tax liabilities	14	445	394
Long-term interest-bearing liabilities	20	2,456	239
Other long-term liabilities	19	1,742	1,143
<b>Total long-term liabilities</b>		<b>4,643</b>	<b>1,777</b>
<b>Short-term liabilities</b>			
Short-term interest-bearing liabilities	19, 20	1,625	391
Accounts payable	19	1,380	1,007
Other short-term liabilities	19	25,408	17,268
<b>Total short-term liabilities</b>		<b>28,413</b>	<b>18,665</b>
<b>Total liabilities</b>		<b>33,056</b>	<b>20,442</b>
<b>Shareholders' equity and liabilities</b>		<b>49,996</b>	<b>38,760</b>

## Consolidated cash flow statement

EUR thousand	1.1.-31.12. 2019	1.1.-31.12. 2018
<b>Profit before taxes</b>	<b>117</b>	<b>-2,521</b>
Adjustments to net profit		
Depreciation and amortization	2,572	1,073
Other adjustments	982	622
Change in working capital		
Change in trade and other receivables	-4,838	-2,614
Change in accounts payable and other liabilities	7,831	2,432
Interest paid	-145	-17
Other financial items	209	211
Taxes paid	-618	-416
<b>Cash flow from operations</b>	<b>6,110</b>	<b>-1,230</b>
Purchases of tangible and intangible assets	-465	-797
<b>Cash flow from investments</b>	<b>-465</b>	<b>-797</b>
Change in lease liabilities	-1,563	-56
Purchase of own shares	-1,922	
<b>Cash flow from financing</b>	<b>-3,485</b>	<b>-56</b>
<b>Change in cash and cash equivalents</b>	<b>2,161</b>	<b>-2,083</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>9,702</b>	<b>11,693</b>
Net foreign exchange difference	82	91
<b>Cash and cash equivalents at end of period</b>	<b>11,944</b>	<b>9,702</b>



## Consolidated statement of changes in shareholders' equity

EUR thousand	Share capital	Unrestricted shareholders' equity reserve	Own shares	Translation difference	Retained earnings	Total shareholders' equity
<b>Shareholders' equity 1 January 2018</b>	<b>500</b>	<b>23,651</b>	<b>0</b>	<b>545</b>	<b>-4,388</b>	<b>20,308</b>
Comprehensive income for the period						
Net profit					-2,391	-2,391
Stock option program					422	422
Comprehensive income				-21		-21
<b>Shareholders' equity 31 December 2018</b>	<b>500</b>	<b>23,651</b>	<b>0</b>	<b>524</b>	<b>-6,357</b>	<b>18,318</b>
<b>Shareholders' equity 1 January 2019</b>	<b>500</b>	<b>23,651</b>	<b>0</b>	<b>524</b>	<b>-6,357</b>	<b>18,318</b>
Comprehensive income for the period						
Net profit					-352	-352
Stock option program and Equity incentive program			-1,922		880	-1,042
Comprehensive income				17		17
<b>Shareholders' equity 31 December 2019</b>	<b>500</b>	<b>23,651</b>	<b>-1,922</b>	<b>540</b>	<b>-5,829</b>	<b>16,940</b>

# Notes to the Consolidated Financial Statements

## Accounting policies applied in the consolidated financial statements

### BASIC INFORMATION ON THE GROUP

Qt Group is a company focusing on the development of software tools, responsible for the development, productization and licensing of software development tools based on Qt technology under commercial and open source licenses. Globally well-known brands are building their success based on Qt's technology. Our customers include leading industrial companies from several sectors, using Qt as the software platform of their vehicle hardware, industrial automation applications and business critical systems. Qt is used, for example, in airplane entertainment systems, as a platform for digital televisions, in car entertainment systems and cabins, marine industry's automation systems and user interfaces of medical devices.

Qt has operating locations in Finland, Norway, Germany, United States, Russia, Japan, China, South Korea, France and United Kingdom. The company has approximately 100 software developers working in research and product development units in Berlin, Oslo and Oulu. The company's head office is located in Espoo, Finland. The Group had 340 employees at the end of 2019.

The company is listed on the Nasdaq Helsinki Stock Exchange. The parent company's domicile is Espoo and its registered address is Bertel Jungin aukio D 3 A, FI-02600 Espoo, Finland. A copy of the financial statements is available at <https://investors.qt.io>.

### ACCOUNTING POLICIES APPLIED IN THE CONSOLIDATED FINANCIAL STATEMENTS

This section describes the general accounting policies applied in the consolidated financial statements and the use of management judgement and estimates. More detailed accounting policies are presented below in connection with each item.

#### Basis of preparation

The consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS), observing the IAS and IFRS standards as well as the SIC and IFRIC interpretations valid on 31 December 2019.

Qt Group has adopted the new standards that took effect during the accounting period and are relevant to its operations. The most significant impacts of the adoption are described below, under "Changes in IFRS accounting standards". The IFRS standards and amendments thereto that took effect in 2019 other than those described below did not have a material impact on the result or the financial position of Qt Group or on the presentation of the financial statements.

The consolidated financial statements are drawn up for the calendar year, which is the fiscal period for the Group's parent company and other Group companies.

The financial statements are presented in thousands of euros.

#### Changes in IFRS accounting standards

Qt Group has applied the IFRS 16 Leases standard effective from January 1, 2019. As a result of the new standard, the

Group recognized principally non-cancellable leases relating to the office premises on the balance sheet. The Group made use of an easement allowed in the standard, according to which short-term leases of assets with minor value do not need to be recognized on the balance sheet. At the beginning of the period under review, the right-of use assets recognized on the balance sheet according to the IFRS 16 standard amounted to EUR 5,014 thousand and were included in the "Tangible assets" section under the consolidated statement of financial position. Correspondingly, the long-term and short-term interest-bearing liabilities in the consolidated statement of financial position include EUR 5,014 thousand of lease liabilities at the beginning of the period. Operating lease obligation at December 31, 2018 was EUR 5,496 thousand. The difference to the lease liability value at initial application is mainly due to discounting of the lease liability. At initial application lease liabilities were discounted at an incremental borrowing rate at January 1, 2019. The weighted average discount rate was 3.75%. A simplified method has been used for the transition, and the comparison figures from the year preceding the transition have not been adjusted.

Depreciations for right-of-use assets were EUR 1,407 thousand and financing expenses EUR 124 thousand for the period under review. The adjusted premises rents were EUR 1,481 thousand for the same period. Adoption of IFRS 16 has a significant impact on presentation of the consolidated statement of cash flows improving cash flow from operations before financing items and taxes. Under IFRS 16 payments of lease liabilities are presented in financing activities and related inter-

## Notes to the Consolidated Financial Statements

est expense as interest paid while previously the full amount of lease payments was included in the cash flow from operations before financing items and taxes. The adoption of IFRS 16 had a positive impact of EUR 1,481 thousand during the whole accounting period to the cash flow from operations before financing items and taxes.

### Consolidation principles

The consolidated financial statements include the parent company, Qt Group Plc, and all of their subsidiaries. Acquired subsidiaries are consolidated using the acquisition cost method, according to which the assets and liabilities of the acquired company are measured at fair value on the date of acquisition, and the remaining difference between the acquisition price and the acquired shareholders' equity constitutes goodwill. Subsidiaries acquired during the fiscal period are included in the consolidated financial statements as of the date of acquisition, while divested subsidiaries are included until the date of divestment. Intra-Group transactions, receivables, liabilities, unrealized margins and internal profit distribution are eliminated in the consolidated financial statements.

All subsidiaries included in the consolidated financial statements are fully owned and the Group does not have minority interests. The Group does not have associated companies or joint ventures.

### FOREIGN CURRENCY TRANSLATION

Items referring to the earnings and financial position of the Group's units are recognized in the currency that is the main currency of the unit's primary operating environment ("functional currency"). The consolidated financial statements are

given in euros, which is the operating and presentation currency of the parent company.

Receivables and liabilities denominated in foreign currencies have been converted into euro at the exchange rate in effect on the balance sheet date. Gains and losses arising from foreign currency transactions are recognized through profit or loss. Foreign exchange gains and losses from operations are included in the corresponding items above operating profit.

The income statements of non-Finnish consolidated companies have been converted into euro at the weighted average exchange rate for the period, and their balance sheets have been converted at the exchange rate quoted on the balance sheet date. Translation differences arising from the application of the cost method are treated as items adjusting consolidated shareholders' equity.

### Accounting policies requiring consideration by management and crucial factors of uncertainty associated with estimates

Estimates and assumptions regarding the future have to be made during the preparation of the financial statements, and the outcome may differ from the estimates and assumptions. Furthermore, the application of accounting policies requires consideration. These estimates and assumptions are based on historical experience and other justifiable assumptions that are believed to be reasonable under the circumstances and that serve as a foundation for evaluating the items included in the financial statements.

### CONSIDERATION BY MANAGEMENT RELATED TO THE SELECTION AND APPLICATION OF ACCOUNTING POLICIES

The Group's goodwill is allocated entirely to one cash-generating unit. According to the estimate of the Group's management, the Group does not have separate independent businesses and, under the current structure, business operations can be monitored most reliably as a single cash-generating unit. In the view of the management, the Group does not have separate itemisable asset groups whose generated cash flows would be largely independent of the cash flows generated by other asset items or asset groups. Accordingly, the Group's management does not consider it possible to independently allocate asset items to smaller cash-generating units.

### CRUCIAL FACTORS OF UNCERTAINTY ASSOCIATED WITH ESTIMATES

Impairment testing is carried out annually to test goodwill and intangible assets with an unlimited useful life and evaluate any indications of impairment. Recoverable amounts from cash generating units are determined as calculations based on value in use. The preparation of these calculations requires the use of estimates.

License revenue is recognized in accordance with the factual substance of the agreement. Income recognition requires a binding contract and complete delivery of the product. Income is recognized based on the time of delivery. Licence maintenance fees are allocated evenly over the agreement period. The most significant decision requiring judgement is related to the ratio between the licence and maintenance fee components of the products.

## Notes to the Consolidated Financial Statements

**1. ACQUIRED AND SOLD BUSINESSES****Businesses acquired in 2019**

No acquisitions were made during the financial year 2019.

**Businesses acquired in 2018**

No acquisitions were made during the financial year 2018.

**2. NET SALES BREAKDOWN****Revenue recognition principles**

License revenue is recognized in accordance with the factual substance of the agreement. Income recognition requires a binding contract and complete delivery of the product. In addition to the license component, licensing may also include maintenance. Income is recognized based on the time of delivery. License maintenance fees are allocated evenly over the agreement period. Revenue for sold work is recognized based on work performed.

**Operating segments**

The Group reports one business segment that provides its customers with software development tools. The Group's highest operational decision-maker is the President and CEO together with the Group Management Team. Due to Qt Group's business model, nature of operations and governance structure, the reported segment covers the entire Group, and its figures are congruent with the consolidated figures.

## Net Sales

EUR thousand	2019 Net Sales	2018 Net Sales
License sales and consulting	40,503	30,635
Maintenance revenue	17,870	14,955
<b>Total net sales</b>	<b>58,373</b>	<b>45,590</b>

EUR thousand	2019 Net Sales	2019 Non-current assets*	2018 Net Sales	2018 Non-current assets*
Finland	685	11,480	589	11,769
Rest of Europe and APAC	35,244	1,042	26,427	493
North America	22,444	2,968	18,574	245
<b>Total net sales</b>	<b>58,373</b>	<b>15,490</b>	<b>45,590</b>	<b>12,508</b>

\* Non-current assets are comprised of goodwill, intangible and tangible assets and long-term receivables.

The Group does not have customers that represent more than 10% of its net sales.

Company has both contract assets and contract liabilities from contracts with customers. Contract liabilities are typical for the company because of timing of revenue recognition: revenue for licenses is recognized at a point in time whereas maintenance revenue is recognized evenly over the contract period. Contract liabilities are mainly short-term (12 months or less). More information relating to maturity of contract liabilities has been given on note 19. Short-term liabilities.

Contract assets are short-term assets and mainly related to revenue recognition of distribution licenses. At the end of the financial year 2019 the value of contact assets was 1,340 (1,439) EUR thousand.



## Notes to the Consolidated Financial Statements

**3. OTHER OPERATING INCOME**

Other operating income consists of income that is not attributable to the Group's actual business. Other operating income is primarily comprised of public grants and income from organized events.

Public grants are recognized once it is reasonably certain that they will be received and the Group meets the conditions for receiving the grant.

Public grants are recognized through profit or loss for the period during which the right to receive the grant arises. The Group's public grants are presented in other operating income.

EUR thousand	2019	2018
Grants	351	436
Other income	928	769
<b>Total</b>	<b>1,279</b>	<b>1,205</b>

Grants primarily comprise subsidies allocated for R&D in Norway. Other income is generated by admissions to events organized by the company, and by compensations paid by partners.

**4. MATERIALS AND SERVICES**

EUR thousand	2019	2018
External services	3,070	1,729
<b>Total</b>	<b>3,070</b>	<b>1,729</b>

External services are mainly comprised of outsourcing services and subcontracting.

## Notes to the Consolidated Financial Statements

**5. PERSONNEL EXPENSES**

## Employee benefits

**Pension liabilities**

Pension plans are categorised as defined benefit or defined contribution plans. In defined contribution plans, the Group makes fixed contributions to a pension insurance company, and the Group does not have a legal or factual obligation to make additional contributions. Payments made to defined contribution plans are recognized through profit or loss as personnel expenses for the period to which the payment applies. The Group's pension schemes are categorised as defined contribution plans.

EUR thousand	2019	2018
Wages and salaries	33,166	28,159
Pension costs (defined contribution plans)	2,622	2,198
Equity incentive program	472	0
Stock option program	408	422
Other personnel expenses	2,691	2,117
<b>Total</b>	<b>39,359</b>	<b>32,896</b>

Information on stock option program is presented in Note 18 Share-based payments.

Group's personnel on average	2019	2018
Finland	95	90
Europe & APAC	185	163
North America	51	42
<b>Total</b>	<b>331</b>	<b>295</b>

## Notes to the Consolidated Financial Statements

**6. RESEARCH AND DEVELOPMENT COSTS**

Research expenses are expensed through profit or loss for the period during which they occur.

Development expenses are capitalized only if the Group meets the requirements of IAS 38 for the capitalization of development expenses. Capitalized development expenses are depreciated over their useful lives. An asset is depreciated starting from when it is ready to use. An asset that is not yet ready to use is tested annually for impairment. Capitalized development expenses are measured at cost less accumulated depreciation and impairment after the initial recognition. Other development expenses are recognized as expenses. The Group did not have capitalized development costs on 31 December 2019.

Development costs previously recognized as expenses are not capitalized in subsequent periods. Research and development costs recognized as expenses are included in personnel expenses and other operating expenses in the consolidated income statement.

EUR thousand	2019	2018
Research and development costs	12,865	10,862
<b>Total</b>	<b>12,865</b>	<b>10,862</b>

**7. DEPRECIATION AND AMORTIZATION**

EUR thousand	2019	2018
<b>Depreciation and amortization by asset category</b>		
Intangible assets		
Software and licenses	24	25
Intellectual property rights	449	406
Other intangible assets	22	61
Property, plant and equipment		
Buildings	1,407	0
Machinery and equipment	670	581
<b>Total depreciation, amortization and impairment</b>	<b>2,572</b>	<b>1,073</b>

During the financial year 2019, an impairment of EUR 7 thousand was recognized on machinery and equipment. No impairment of tangible or intangible assets was recognized during the comparison period in 2018.

No regular amortization is booked on goodwill. Instead, goodwill is tested for impairment annually and when there are indications of impairment. More information on the impairment testing of goodwill is provided in Note 12. Intangible assets.

## Notes to the Consolidated Financial Statements

**8. OTHER OPERATING EXPENSES**

EUR thousand	2019	2018
Personnel expenses	1,602	1,230
Travel and representation expenses	2,533	2,258
Marketing and communications	2,069	1,873
External services	3,798	2,615
Costs of premises	1,262	2,357
IT expenses	2,520	2,378
Other expenses	649	708
<b>Total</b>	<b>14,433</b>	<b>13,419</b>
<b>Auditor's fees</b>		
Audit	47	48
Tax counselling	35	1
Other services	3	32
<b>Total</b>	<b>85</b>	<b>81</b>

The Group's auditor for 2018 and 2019 was KPMG Oy Ab.

During financial year 2019, services that were rendered by KPMG Oy Ab to the Qt Group companies and that were not related to auditing amounted to EUR 38 thousand.

**9. FINANCIAL INCOME AND EXPENSES**

Financial income EUR thousand	2019	2018
Exchange rate gains	969	1,429
Other financial income	90	4
<b>Total</b>	<b>1,059</b>	<b>1,433</b>
<b>Financial expenses</b>		
EUR thousand	2019	2018
Interest expenses for loans from financial institutions	142	15
Exchange rate losses	1,002	1,560
Other financial expenses	17	57
<b>Total</b>	<b>1,161</b>	<b>1,632</b>



## Notes to the Consolidated Financial Statements

## 10. INCOME TAXES

The Group's tax expense is comprised of the tax based on the taxable profit of each Group company for the period and change in deferred tax assets and liabilities. The tax based on the taxable income for the period is calculated using the tax rate prescribed or practically confirmed by the closing date of the reporting period. Deferred tax assets or liabilities are recognized for temporary differences between the taxation and accounting values of assets and liabilities using the tax rate prescribed or practically confirmed by the closing date of the reporting period. Temporary differences arise from, among other things, confirmed tax losses, depreciation difference, provisions and adjustments to the fair values of assets and liabilities made in connection with business acquisitions. Deferred tax liabilities are recognized for the undistributed earnings of subsidiaries if the distribution of profits is probable and will result in tax consequences. Deferred tax liabilities are included in the balance sheet in full, and deferred tax assets in the amount of the estimated probable tax benefit.

The tax expense in the income statement is comprised of tax based on the taxable income for the period and deferred taxes. Taxes are recognized through profit or loss, except when they are associated with business combinations or items recognized directly in shareholders' equity or other comprehensive income. Tax assets or liabilities based on the taxable income for the period are presented under current items in the balance sheet, while deferred tax liabilities and assets are presented under non-current items.

EUR thousand	2019	2018
Taxes for the period	575	472
Taxes for previous periods	33	126
Other items	288	150
Deferred tax	-427	-877
<b>Total</b>	<b>469</b>	<b>-130</b>
<b>Reconciliation of tax expenses with the tax rate of the Group's home country (20%)</b>		
Earnings before tax	117	-2,521
Taxes calculated at the parent company's tax rate	23	-504
Effect of deviating tax rates of foreign subsidiaries	160	170
Income not subject to tax	-209	-231
Non-deductible expenses and other differences	153	140
Withholding taxes	288	150
Other items	19	19
Taxes for previous periods	33	126
<b>Total</b>	<b>469</b>	<b>-130</b>
Effective tax rate	401%	5%

## Notes to the Consolidated Financial Statements

**11. EARNINGS PER SHARE****Undiluted earnings per share**

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

**Diluted earnings per share**

In calculating the diluted earnings per share, the dilution effect of all potential dilutive equity shares is taken into account in the weighted average number of shares. Stock options included in the incentive scheme are conditionally issued, and they are taken into account in calculating the diluted earnings per share. The options have a dilution effect when their subscription price is lower than the average market price of the share during the financial period or a shorter period of execution. The dilution effect is the difference between the number of shares issued and the number of shares that would have been issued at the average market price of the shares during the period.

	2019	2018
Net profit attributable to parent company shareholders (EUR thousand)	-352	-2,391
Weighted average number of shares during the financial period, 1,000 shares	23,736	23,792
Undiluted earnings per share (EUR/share)	-0.01	-0.10

The company does not separately disclose the diluted earnings per share, as the dilution effect would decrease the loss per share for continuing operations.

## Notes to the Consolidated Financial Statements

**12. INTANGIBLE ASSETS**

## Intangible assets

**Goodwill**

Goodwill corresponds to the proportion of the acquisition cost of an acquired entity that exceeds the Group's share of the net amount of the identifiable assets, liabilities and contingent liabilities of the business entity's net assets on the date of acquisition. Goodwill is recognized at the original cost less accumulated impairment losses. No regular amortization is booked on goodwill but it is tested annually for impairment. For this purpose, goodwill is allocated to cash generating units. The recoverable amount of the unit is tested annually or more frequently if there are indications of impairment to determine any impairment of its carrying amount.

**Research and development costs**

Development costs are capitalized only if the Group meets the requirements of IAS 38 for the capitalization of development costs. Capitalized development costs are depreciated over their useful lives. Capitalized development costs are measured at cost less accumulated depreciation and impairment after the initial recognition. Other development costs are recognized as expenses. The Group did not have capitalized development costs on 31 December 2019.

**Other intangible assets**

An intangible asset is recognized in the balance sheet at the original cost in case the cost can be determined reliably and it is probable that the expected economic benefit from the

asset will flow to the Group. Intangible assets with a limited useful life are recognized as expenses in the income statement by straight-line depreciation over their useful life and tested for impairment if there are indications of any impairment.

The depreciation periods of other intangible assets:

Software and licenses	3–8 years
Intellectual property rights	3–8 years

## Notes to the Consolidated Financial Statements

## Intangible assets 2019

EUR thousand	Goodwill	Other intangible assets	Total
Acquisition cost, 1 January	6,562	7,039	13,602
Translation differences and other adjustments	0	5	5
Additions		21	21
Disposals		-10	-10
<b>Acquisition cost, 31 December</b>	<b>6,562</b>	<b>7,056</b>	<b>13,618</b>
Accumulated depreciation and impairment, 1 January	0	-2,484	-2,484
Translation differences and other adjustments		-3	-3
Depreciation for the period		-496	-496
Depreciation for disposals		10	10
<b>Accumulated depreciation and impairment, 31 December</b>	<b>0</b>	<b>-2,973</b>	<b>-2,973</b>
<b>Book value, 1 January</b>	<b>6,562</b>	<b>4,555</b>	<b>11,118</b>
<b>Book value, 31 December</b>	<b>6,562</b>	<b>4,082</b>	<b>10,645</b>

## Notes to the Consolidated Financial Statements

## Intangible assets 2018

EUR thousand	Goodwill	Other intangible assets	Total
Acquisition cost, 1 January	6,562	6,990	13,553
Translation differences and other adjustments	0	7	7
Additions		58	58
Disposals		-17	-17
<b>Acquisition cost, 31 December</b>	<b>6,562</b>	<b>7,039</b>	<b>13,602</b>
Accumulated depreciation and impairment, 1 January	0	-1,995	-1,995
Translation differences and other adjustments		2	2
Depreciation for the period		-491	-491
<b>Accumulated depreciation and impairment, 31 December</b>	<b>0</b>	<b>-2,484</b>	<b>-2,484</b>
<b>Book value, 1 January</b>	<b>6,562</b>	<b>4,995</b>	<b>11,557</b>
<b>Book value, 31 December</b>	<b>6,562</b>	<b>4,555</b>	<b>11,118</b>

## Notes to the Consolidated Financial Statements

### **IMPAIRMENT TESTING:**

On each balance sheet date, the company estimates whether there is evidence that the value of an asset may have been impaired. If there is evidence of impairment, the amount recoverable from the asset is estimated. In addition, the recoverable amount is estimated annually on the following assets regardless of whether there is an indication of impairment or not: goodwill and intangible assets with an unlimited useful life.

The need for impairment is reviewed at the level of cash generating unit, which refers to the lowest level of unit that is mainly independent of other units and whose cash flows can be separated from other cash flows. If the carrying amount exceeds the recoverable amount, an impairment loss is recognized in the income statement. An impairment loss recognized for goodwill will not be reversed under any circumstances. Qt Group is the cash generating unit to which the entire tested asset is allocated in the testing.

The tables on the next page show the distribution of goodwill and values subject to testing at the end of the reporting period.



## Notes to the Consolidated Financial Statements

## Impairment testing in 2019

EUR thousand	Identified intangible assets	Goodwill	Other items	Total value subject to testing
	<b>4,002</b>	<b>6,562</b>	<b>7,527</b>	<b>18,091</b>

During the 2019 financial period, identified intangible assets were depreciated by EUR 406 thousand.

Based on the impairment testing calculations by the management, no need for recognizing impairment losses was found during the 2019 financial period.

The present values for Qt Group's assets were calculated for the five-year forecast period based on the following assumptions

in the testing: net sales and operating profit for 2020 according to budget. Over the five-year forecast period, the average annual growth in net sales is over 15 percent and terminal period growth is 1 percent thereafter, operating profit over 15 percent and a pre-tax discount rate 11.9 percent.

Based on sensitivity analyses, the company's management considers it improbable that a change in the key parameters used in testing (growth in net sales, total expenses, interest

rates) would result in a situation in which the value of the tested asset exceeds the recoverable amount. Based on the sensitivity analysis made, the amount of Qt Group's tested assets requires an average growth of 6.9 percent over the five-year forecast period, even if the costs for 2020 were allowed to grow according to the budget and moderately even after that with profitability being 1.9 percent at the end of the forecast period.

## Impairment testing in 2018

EUR thousand	Identified intangible assets	Goodwill	Other items	Total value subject to testing
	<b>4,408</b>	<b>6,562</b>	<b>3,579</b>	<b>14,549</b>

During the 2018 financial period, identified intangible assets were depreciated by EUR 406 thousand.

Based on the impairment testing calculations by the management, no need for recognising impairment losses was found during the 2018 financial period.

The present values for Qt Group's assets were calculated for the five-year forecast period based on the following assumptions

in the testing: net sales and operating profit for 2019 according to budget. Over the five-year forecast period, average annual growth in net sales of over 15 percent and terminal period growth 1 percent thereafter, operating profit 15.0 percent and a pre-tax discount rate of 12.5 percent.

Based on sensitivity analyses, the company's management considers it improbable that a change in the key parameters used in testing (growth in net sales, total expenses, interest

rates) would result in a situation in which the value of the tested asset exceeds the recoverable amount. Based on the sensitivity analysis made, the amount of Qt Group's tested assets requires an average growth of 8.2 percent over the five-year forecast period, even if the costs for 2019 were allowed to grow according to the budget and moderately even after that with profitability being 3.2 percent at the end of the forecast period.

## Notes to the Consolidated Financial Statements

**13. TANGIBLE ASSETS**

Property, plant and equipment (PPE) are carried at cost less accumulated planned depreciation and impairment. Assets are depreciated over their estimated useful lives. The estimated useful lives are as follows:

Machinery and equipment	3–8 years
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The useful life and depreciation method of assets is reviewed at least at each balance sheet date and, if necessary, adjusted to reflect any changes in the expected economic value.

Property, plant and equipment is derecognized when it is disposed of or no future economic benefit is expected from its use or disposal. Capital gains and losses on elimination and the transfer of tangible assets are recognized through profit or loss and included either in other operating income or expenses for the period in which they emerge.

Qt Group has applied the IFRS 16 Leases standard effective from January 1, 2019. As a result of the new standard, the Group recognized principally non-cancellable leases relat-

ing to the office premises on the balance sheet. The Group made use of an easement allowed in the standard, according to which short-term leases of assets with minor value do not need to be recognized on the balance sheet. At the beginning of the period under review, the right-of-use assets recognized on the balance sheet according to the IFRS 16 standard amounted to EUR 5,014 thousand and were included in the "Tangible assets" section under the consolidated statement of financial position. Correspondingly, the long-term and short-term interest-bearing liabilities in the consolidated statement of financial position include EUR 5,014 thousand of lease liabilities at the beginning of the period. Operating lease obligation at December 31, 2018 was EUR 5,496 thousand. The difference to the lease liability value at initial application is mainly due to discounting of the lease liability. At initial application lease liabilities were discounted at an incremental borrowing rate at January 1, 2019. The weighted average discount rate was 3.75%. A simplified method has been used for the transition, and the comparison figures from the year preceding the transition have not been adjusted.

Depreciations for right-of-use assets were EUR 1,407 thousand and financing expenses EUR 124 thousand for the period under review. The adjusted premises rents were EUR 1,481 thousand for the same period. Adoption of IFRS 16 has a significant impact on presentation of the consolidated statement of cash flows improving cash flow from operations before financing items and taxes. Under IFRS 16 payments of lease liabilities are presented in financing activities and related interest expense as interest paid while previously the full amount of lease payments was included in the cash flow from operations before financing items and taxes. The adoption of IFRS 16 had a positive impact of EUR 1,481 thousand during the whole accounting period to the cash flow from operations before financing items and taxes.

## Tangible assets 2019

EUR thousand	Buildings	Machinery and equipment	Total
Acquisition cost, 1 January	0	2,925	2,925
IFRS16 Acquisition cost 1 January	5,014		5,014
Translation differences and other adjustments		16	16
Increases		438	438
Disposals		-68	-68
<b>Acquisition cost, 31 December</b>	<b>5,014</b>	<b>3,311</b>	<b>8,325</b>
Accumulated depreciation and impairment, 1 January	0	-1,713	-1,713
Translation differences and other adjustments		-3	-3
Depreciation for the period	-1,407	-670	-2,077
Disposals		61	61
<b>Accumulated depreciation and impairment, 31 December</b>	<b>-1,407</b>	<b>-2,324</b>	<b>-3,732</b>
<b>Book value, 1 January</b>		<b>1,212</b>	<b>1,212</b>
<b>Book value, 31 December</b>	<b>3,607</b>	<b>986</b>	<b>4,593</b>

## Tangible assets 2018

EUR thousand	Buildings	Machinery and equipment	Total
Acquisition cost, 1 January	0	2,255	2,255
Translation differences and other adjustments		13	13
Increases		751	751
Disposals		-94	-94
<b>Acquisition cost, 31 December</b>	<b>0</b>	<b>2,925</b>	<b>2,925</b>
Accumulated depreciation and impairment, 1 January	0	-1,173	-1,173
Translation differences and other adjustments		8	8
Depreciation for the period		-581	-581
Disposals		33	33
<b>Accumulated depreciation and impairment, 31 December</b>	<b>0</b>	<b>-1,713</b>	<b>-1,713</b>
<b>Book value, 1 January</b>	<b>0</b>	<b>1,082</b>	<b>1,082</b>
<b>Book value, 31 December</b>	<b>0</b>	<b>1,212</b>	<b>1,212</b>

**Property, plant and equipment include assets leased under finance lease as follows:**

EUR thousand	Buildings 2019	Machinery and equipment 2019	Buildings 2018	Machinery and equipment 2018
Acquisition cost and increases	5,014	1,559	0	1,395
Accumulated depreciation	-1,407	-1,155	0	-794
<b>Book value, 31 December</b>	<b>3,607</b>	<b>404</b>	<b>0</b>	<b>601</b>

**Bridge calculation of the adoption of the IFRS 16 standard:****EUR thousand**

Operating lease liabilities 31 December 2018	5,496
Short-term leases and low-value assets	-113
Discount rate	-369
Increase of lease liability 1 January 2019	5,014
Finance lease liability IAS 17	630
<b>Lease liability 1 January 2019</b>	<b>5,644</b>

## Notes to the Consolidated Financial Statements

**14. DEFERRED TAX ASSETS AND LIABILITIES****Changes in deferred tax during 2019:**

EUR thousand	1.1.2019	Recognized in the income statement	31.12.2019
Deferred tax assets:			
Confirmed losses	2,811	369	3,180
Other items	174	109	283
<b>Total</b>	<b>2,985</b>	<b>478</b>	<b>3,463</b>
Deferred tax liabilities:			
From allocation of the fair values of acquisitions	410	58	468
Other items	-16	-7	-23
<b>Total</b>	<b>394</b>	<b>51</b>	<b>445</b>

**Changes in deferred tax during 2018:**

EUR thousand	1.1.2018	Recognized in the income statement	31.12.2018
Deferred tax assets:			
Confirmed losses	1,983	828	2,811
Other items	66	108	174
<b>Total</b>	<b>2,049</b>	<b>936</b>	<b>2,985</b>
Deferred tax liabilities:			
From allocation of the fair values of acquisitions	351	58	410
Other items	-34	18	-16
<b>Total</b>	<b>317</b>	<b>77</b>	<b>394</b>

The accounting principles relating to income taxes are presented in Note 10 Income taxes.

Deferred tax asset has been booked on confirmed losses to the extent where it is probable that there will be taxable income in the future against which confirmed losses can be applied. The deferred tax assets booked on confirmed losses on December 31, 2019 were EUR 3,180 thousand (2,811), and they were related to confirmed losses that will expire in 2027–2030.



## Notes to the Consolidated Financial Statements

**15. TRADE AND OTHER RECEIVABLES**

EUR thousand	2019	2018
Trade receivables	13,772	9,398
Lease security deposits	83	81
Accrued income	2,740	2,094
VAT receivable	1,363	446
Other receivables	1,141	1,548
<b>Total</b>	<b>19,099</b>	<b>13,566</b>

The Group has recognized a credit loss provision of EUR 1,049 thousand in trade receivables in the 2019 financial statements (2018: EUR 666 thousand). The carrying amount of the trade receivables is a moderate estimate of their fair value.

EUR thousand	2019	2018
Undue trade receivables	8,319	6,657
Trade receivables 1–30 days overdue	3,082	1,166
Trade receivables 31–60 days overdue	595	774
Trade receivables over 60 days overdue	1,777	801
<b>Total</b>	<b>13,772</b>	<b>9,398</b>

## Notes to the Consolidated Financial Statements

**16. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents are comprised of cash assets, short-term bank deposits and other very liquid short-term investments with a period of maturity of no more than three months.

EUR thousand	2019	2018
Bank accounts	11,944	9,702
<b>Total</b>	<b>11,944</b>	<b>9,702</b>

**17. NOTES TO SHAREHOLDERS' EQUITY**

	Number of shares	Share capital (EUR thousand)
1 January 2019	23,792,312	500
31 December 2019	23,661,062	500

**Share capital and number of shares**

The share subscription price received in connection with the share issues shall be entered in the share capital to the extent that the subscription price has not been decided in the share issue resolution to be entered in the unrestricted shareholders' equity reserve.

**Translation difference**

Translation difference includes the exchange rate differences from the translation of the financial statements of foreign units.

**Unrestricted shareholders' equity reserve**

Unrestricted shareholders' equity reserve contains other equity type investments and the subscription price of shares to the extent that they are not, based on a specific decision, recognized in the share capital. For the option programs that have been decided on after the new Companies Act (21.7.2006/624) entered into force (September 1, 2006), the fees for subscriptions are recognized in full in the unrestricted shareholders' equity reserve.

**Own shares**

Own shares reserve includes the purchase costs of own shares in Qt Group's possession. The purchase and disposal of own shares is disclosed as separate fund in equity. At the end of December 2019, the Group held 131,250 of its own shares as treasury shares, which represents 0.55% of the entire stock. The purchase cost of purchased shares including transaction costs was EUR 1,922 thousand.

## Notes to the Consolidated Financial Statements

**18. SHARE-BASED PAYMENTS**

The Group has a share-based incentive scheme where payments are made in equity instruments. The stock option program is a market-based incentive scheme pursuant to IFRS 2. The benefits granted through the scheme are measured at fair value on the date of their being granted and recognized as expenses evenly during the vesting period. The impact of these arrangements on the financial results is shown under personnel expenses with retained earnings as the counter-item.

The expense determined at the time of granting stock options is based on the Group's estimate of the number of stock options assumed to be earned at the end of the vesting period. The Group updates the estimate of the final number of stock options on the closing date of each reporting period.

**Equity incentive program 2019–2021**

The Board of Directors of Qt Group Plc has decided on 14 February 2019 to establish a new equity incentive program for the company's President and CEO and other key persons. Objective of the program is to bring together the company owners' and key persons' goals for enhancing the company's value, commit the key persons to the company and to offer them a competitive incentive program based on company shares.

The incentive program has one reward collection period covering years 2019–2021. Rewards in the program are determined by Qt Group Plc's net sales in 2021. Rewards will start accumulating once the net sales for 2021 exceed EUR 80 million, and they then continue to increase in a linear manner up to a

maximum value equivalent to 530,000 shares once net sales reach EUR 120 million. Of the maximum reward equivalent to the value of 530,000 shares, the President and CEO's share is 100,000 and for other key persons it is equivalent to the value of 430,000 shares. The rewards pursuant to the program will be paid upon the confirmation of the financial statements for 2021 as a combination of shares and cash, so that the cash amount will approximately cover the taxes and other statutory fees resulting from the reward, and the rest of the reward will be paid to the recipient in shares. Shares paid out as rewards are not subject to any restrictions concerning e.g. their hand-over.

**Equity incentive program 2019–2021**

Grant date	14 February 2019
Nature of the scheme	Shares and cash
Target group	Key personnel
Share-based remuneration, maximum number of shares	530 000
Earning period begins, date	1 January 2019
Earning period ends, date	31 December 2021
Vesting conditions	Development of Qt Group Plc's share price
Execution	As shares and cash

## Notes to the Consolidated Financial Statements

### Option program 2016–2019

The Board of Directors of Qt Group Plc decided on 22 June 2016 to issue stock options to the key persons of the company or its Group companies. There are particularly weighty economic reasons for the Company to issue stock option rights, as the stock option rights are intended to be part of the Company's long-term incentive and commitment scheme for key personnel. The maximum total number of stock options issued is 2,000,000, and they entitle their holders to subscribe for a maximum total of 2,000,000 new shares in the company. Each stock option entitles its holder to subscribe for one (1) new share in the company or an existing share held by the company. The share subscription price shall be credited to the company's reserve for invested unrestricted equity.

Currently, the share subscription price under the 2016 series option rights is EUR 4.84 per share. Should the Company distribute dividends or assets from reserves of unrestricted equity, from the share subscription price of the stock options may, by a resolution of the Board of Directors, be deducted the amount of the dividend or the amount of the distributable unrestricted equity per share decided after the resolution by the Board of Directors on the issuance of stock option but before the share subscription, as per the dividend record date or the record date of the repayment of equity.

Company has noted that the criteria of the 2016 stock options plan have been met and resolved that the share subscription period will begin on December 19, 2019 in accordance with the terms and conditions of the option scheme 2016 II.2. The share

subscription period for 2016 option rights ends on December 31, 2022. The stock options will be freely transferable on December 19, 2019.

The option holders can subscribe the shares during the subscription period by giving the payment and subscription details

to their own bank. New shares subscribed with stock options 2016 will be listed as additional lots of Company shares on the main list of Nasdaq Helsinki together with the old shares after the shares increase has been registered.

#### Option program 2016–2019

Grant date	22 June 2016
Nature of the scheme	Stock options
Target group	Key personnel
Share-based remuneration, maximum number of shares	2,000,000
Subscription period	19 December 2019–31 December 2022
Vesting conditions	Development of Qt Group Plc's share price
Execution	As shares
Persons (31 December 2019)	17

#### EFFECT OF OPTION PROGRAM ON THE NET PROFIT

EUR thousand	2019	2018
Equity incentive program 2019–2021	472	0
Option program 2016–2019	408	422
<b>Total</b>	<b>880</b>	<b>422</b>

## Notes to the Consolidated Financial Statements

**19. SHORT-TERM LIABILITIES**

EUR thousand	2019	2018
Lease liabilities	1,625	391
Accounts payable	1,380	1,007
Advances received	17,067	11,884
Accrued charges and deferred credits	6,768	4,664
Other liabilities	1,573	719
<b>Total</b>	<b>28,413</b>	<b>18,665</b>

The carrying amount of accounts payable and other liabilities is a moderate estimate of their fair value. The terms of payment of the Group's accounts payable comply with the ordinary terms of payment of companies.

Accrued charges and deferred credits are primarily comprised of allocations of wages and salaries and personnel expenses.

Besides the aforementioned, EUR 1,742 thousand of the advances received have been presented in Other long-term liabilities due to their maturity.

## Notes to the Consolidated Financial Statements

**20. FINANCIAL LIABILITIES AND FINANCIAL RISK MANAGEMENT**

Financial liabilities are initially measured at fair value. Financial liabilities are subsequently measured at cost allocated using the effective rate method. Financial liabilities are included in long- and short-term liabilities. Financial liabilities are categorized as long-term liabilities when they mature in more than 12 months. Liabilities maturing in less than 12 months are categorized as short-term.

## Financial liabilities

EUR thousand	2019		2018		Fair value hierarchy
	Asset values	Fair values	Asset values	Fair values	
<b>Long-term</b>					
Lease liabilities	2,456	2,456	239	239	2
<b>Total</b>	<b>2,456</b>	<b>2,456</b>	<b>239</b>	<b>239</b>	
<b>Short-term</b>					
Lease liabilities	1,625	1,625	391	391	2
<b>Total</b>	<b>1,625</b>	<b>1,625</b>	<b>391</b>	<b>391</b>	

All of the financial liabilities are denominated in euros.

**Fair value hierarchy**

Financial instruments measured at fair value are classified according to the following fair value hierarchy: instruments measured using quoted prices in active markets (level 1), instruments measured using inputs other than quoted prices included in level 1 observable either directly or indirectly (level 2), and instruments measured using inputs that are not based on observable market data (level 3).



## Notes to the Consolidated Financial Statements

## Maturity of liabilities

## 2019

EUR thousand	2020	2021	2022	Total
Lease liabilities	1,625	1,190	1,266	4,081
<b>Total</b>	<b>1,625</b>	<b>1,190</b>	<b>1,266</b>	<b>4,081</b>

## 2018

EUR thousand	2019	2020	2021	Total
Finance lease liabilities	391	189	50	630
<b>Total</b>	<b>391</b>	<b>189</b>	<b>50</b>	<b>630</b>

## Notes to the Consolidated Financial Statements

### FINANCIAL RISK MANAGEMENT

The Group is exposed to certain financial risks during the normal course of its business. The Group's management regularly monitors the financial risks associated with business operations. The objective of the Group's risk management is to minimize the adverse effects of the financial risks on the Group's earnings and balance sheet. The financial risks are mainly comprised of the credit risk and liquidity risk related to counterparties and fluctuation of market interest rates and exchange rates. The Group does not apply hedge accounting pursuant to IAS 39, and the Group has not held any derivative instruments during the financial period or the previous financial period.

#### Credit risk

Credit risk management and credit control are coordinated by the Group's financial function, which acts in cooperation with the business units. The Group's policy defines creditworthiness requirements for customers in order to minimize the amount of credit losses. A credit loss is recognized for trade receivables when there is objective evidence that the receivables will not be received in full under the original terms and conditions. A sufficient provision was made for uncertain accounts receivable at the end of the fiscal period. The maturity breakdown of trade receivables is presented in Note 15 Trade and other receivables.

#### Foreign exchange rate risk

The existing foreign exchange rate risk is comprised of currency-denominated commercial transactions, monetary items on the balance sheet and net investments in foreign subsidiaries. Of the Group's cash flows, the biggest currency exposures arise from EUR and USD. The Group has both income and expenses in both main currencies, which significantly limits the foreign exchange risk. The company monitors the development of currency exposure as its operations expand and as non-USD-denominated currency items increase, which might lead to the adoption of an active hedging policy in the company. At the

end of the financial year, the company had no existing hedging instruments and the Group does not apply hedge accounting.

#### Liquidity risk

Liquidity risk is associated with the sufficiency of financing required by the Group's working capital, repayment of loans, investment expenses and growth, and maintaining its continuity. The purpose of liquidity risk management is to continuously maintain a sufficient level of liquidity. To manage the risk, the Group continuously assesses the amount of financing required by business operations so that the Group has sufficient liquid assets for financing its operations and repaying maturing loans.

#### Interest rate risk

The Group does not have significant interest-bearing liabilities.

## Notes to the Consolidated Financial Statements

**21. THE GROUP'S CONTINGENT LIABILITIES**

## Contingent liabilities

EUR thousand	2019	2018
<b>Pledges given on own behalf</b>		
Guarantees	550	527
<b>Total</b>	<b>550</b>	<b>527</b>
<b>Other leases</b>		
Lease liabilities maturing within one year	0	1,589
Lease liabilities maturing within one to five years	0	3,907
<b>Total</b>	<b>0</b>	<b>5,496</b>
<b>Pledges, mortgages and contingent liabilities total</b>	<b>550</b>	<b>6,023</b>

## Notes to the Consolidated Financial Statements

**22. TRANSACTIONS WITH RELATED PARTIES**

The Group's related parties include the parent company and its subsidiaries. In addition, related parties are considered to include the members of the parent company's Board of Directors and the Group Management Team, including the President and CEO and persons and companies in which the management or Board of Directors exercise control or significant influence.

**THE GROUP'S PARENT COMPANY AND SUBSIDIARY RELATIONSHIPS ARE AS FOLLOWS:**  
**Group companies 31 December 2019**

Name	Group's holding	Domicile	Country
Qt Group Oyj	Parent company	Espoo	Finland
The Qt Company Oy	100%	Espoo	Finland
The Qt Company	100%	San Jose	United States
The Qt Company AS	100%	Oslo	Norway
The Qt Company GmbH	100%	Berlin	Germany
OOO The Qt Company	100%	St. Petersburg	Russia
The Qt Company LLC	100%	Seoul	South Korea
The Qt Company Ltd	100%	Shanghai	China
The Qt Company UK	100%	Norwich	United Kingdom
The Qt Company France	100%	Issy-les-Moulineaux	France
Digia Software Ltd	100%	Chengdu	China
Digia Hong Kong Ltd*	100%	Hong Kong	China
The Qt Company Japan**	100%	Tokyo	Japan

\* The company did not engage in business operations

\*\* A branch of The Qt Company Oy in Japan

**Salaries and fees of the Board of Directors and President and CEO**

EUR thousand		1.1.–31.12. 2019	1.1.–31.12. 2018
Varelius Juha	President and CEO	605	542
Ingman Robert	Chairman of the Board of Directors	72	72
Uhari Tommi	Vice Chairman of the Board of Directors	52	52
Rossi Matti*	Member of the Board of Directors	0	9
Saarinén Leena	Member of the Board of Directors	38	37
Öistämö Kai*	Member of the Board of Directors	0	9
Koppinen Jaakko**	Member of the Board of Directors	36	27
Marsio Mikko**	Member of the Board of Directors	36	27
<b>Total</b>		<b>839</b>	<b>775</b>

\* Member of the Board until March 13th 2018

\*\* Member of the Board since March 13th 2018

**Management's employee benefits**

EUR thousand		1.1.–31.12. 2019	1.1.–31.12. 2018
Salaries and other short-term employee benefits		1,691	1,560
Option and Equity incentive program		423	242
<b>Total</b>		<b>2,114</b>	<b>1,802</b>

**23. EVENTS AFTER THE CLOSING DATE OF THE REPORTING PERIOD**

There have been no major events to report after the period.

## Parent company's income statement FAS

EUR	Notes	2019	2018
<b>Net sales</b>		<b>394,344.52</b>	<b>483,016.54</b>
Personnel expenses	1	-728,621.16	-737,045.84
Other operating expenses	2	-715,137.24	-596,722.43
<b>Operating profit</b>		<b>-1,049,413.88</b>	<b>-850,751.73</b>
Financial expenses	3	-580.79	-755.55
<b>Earnings before tax</b>		<b>-1,049,994.67</b>	<b>-851,507.28</b>
Income taxes		0.00	0.00
<b>Net profit</b>		<b>-1,049,994.67</b>	<b>-851,507.28</b>

## Parent company's balance sheet (FAS)

EUR	Notes	31.12.2019	31.12.2018
<b>Non-current assets</b>			
<b>Investments</b>			
Holdings in group companies	4	17,406,928.24	17,406,928.24
<b>Total</b>		<b>17,406,928.24</b>	<b>17,406,928.24</b>
<b>Non-current assets total</b>			
		<b>17,406,928.24</b>	<b>17,406,928.24</b>
<b>Current assets</b>			
Accounts receivable from group companies		488,987.20	2,049,359.79
Other receivables		28,582.59	49,440.53
Cash in hand and at banks		10,067.32	1,206,346.30
<b>Total</b>		<b>527,637.11</b>	<b>3,305,146.62</b>
<b>Total assets</b>			
		<b>17,934,565.35</b>	<b>20,712,074.86</b>

EUR	Notes	31.12.2019	31.12.2018
<b>Shareholders' equity</b>			
Share capital	5	500,000.00	500,000.00
Unrestricted shareholders' equity reserve	5	24,036,509.55	24,036,509.55
Own shares		-1,922,186.82	0.00
Retained earnings		-4,412,651.43	-3,561,144.15
Net profit	5	-1,049,994.67	-851,507.28
<b>Total</b>		<b>17,151,676.63</b>	<b>20,123,858.12</b>
<b>Short-term liabilities</b>			
Accounts payable		65,498.14	53,200.78
Other liabilities		99,256.96	124,158.75
Accrued charges and deferred credits	6	618,133.62	410,857.21
<b>Total</b>		<b>782,888.72</b>	<b>588,216.74</b>
<b>Total shareholders' equity and liabilities</b>			
		<b>17,934,565.35</b>	<b>20,712,074.86</b>



# Parent company's cash flow statement FAS

EUR	2019	2018
<b>Net profit before tax</b>	<b>-1,049,990.47</b>	<b>-851,507.28</b>
Adjustments to net profit	576.59	755.55
Change in working capital	1,775,902.64	-662,619.33
Interest paid	-576.59	-755.55
<b>Cash flow from financial items and taxes</b>	<b>-576.59</b>	<b>-755.55</b>
<b>Cash flow from operations</b>	<b>725,912.17</b>	<b>-1,514,126.61</b>
Loans granted	0.00	0.00
<b>Cash flow from investments</b>	<b>0.00</b>	<b>0.00</b>
Purchase of own shares	-1,922,191.15	0.00
<b>Cash flow from financing</b>	<b>-1,922,191.15</b>	<b>0.00</b>
<b>Change in cash and cash equivalents</b>	<b>-1,196,278.98</b>	<b>-1,514,126.61</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>1,206,346.30</b>	<b>2,720,472.91</b>
<b>Cash and cash equivalents at end of period</b>	<b>10,067.32</b>	<b>1,206,346.30</b>

## Basic information on the parent company and accounting policies applied in the financial statements

### **BASIC INFORMATION ON THE COMPANY**

Qt Group Plc is the parent company of Qt Group, and its domicile is Espoo and its registered address is Bertel Jungin aukio D 3 A, FI-02600 Espoo, Finland. Qt Group Plc's subsidiary responsible for its operations in Finland is The Qt Company Oy.

### **ACCOUNTING POLICIES APPLIED IN THE FINANCIAL STATEMENTS**

The parent company's financial statements have been prepared in accordance with the Finnish Accounting Standards (FAS). The financial statements are based on original acquisition costs. Acquisition cost-based accounting is discounted to correspond to the fair value, if necessary.

### **PENSION ARRANGEMENTS**

The pension cover of the company's personnel is provided through statutory pension insurance. Pension contributions and expenses allocated to the financial period are based on confirmation received from the insurance company. Pension expenses are recognized as expenses for the year during which they are incurred.

### **TAXES**

Taxes recognized in the income statement include taxes based on the net profit for the financial period, and adjustments to taxes for previous periods.

### **TANGIBLE AND INTANGIBLE ASSETS**

Tangible and intangible assets are recognized in the balance sheet at direct acquisition cost less planned depreciation. Planned depreciation is based on the following useful lives:

Intangible assets	3–5 years
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Acquisitions of fixed assets with a useful life of less than three years are recognized as annual expenses.

### **CASH AND CASH EQUIVALENTS AND LOANS FROM FINANCIAL INSTITUTIONS**

Cash and cash equivalents include cash assets and bank accounts. Overdraft facilities of accounts are presented in current liabilities on the balance sheet. Loans from financial institutions are included in long- and short-term liabilities on the balance sheet. Interest expenses are recognized as expenses for the period during which they are incurred.

### **SHAREHOLDERS' EQUITY AND DIVIDENDS**

The Board of Directors' proposal for dividend payout is not recognized in the distributable shareholders' equity in the financial statements before the approval of the Annual General Meeting.

## Notes to the parent company financial statements FAS

### 1. INFORMATION ON PERSONNEL AND RELATED PARTIES

EUR	2019	2018
Wages and salaries	651,793.27	657,896.12
Pension expenses	69,516.64	72,583.73
Other personnel expenses	7,311.25	6,565.99
<b>Total</b>	<b>728,621.16</b>	<b>737,045.84</b>

The company's personnel expenses are comprised of the salaries and fees paid to the President and CEO and the Board of Directors. More detailed information about the related parties is presented in Note 22 Transactions with related parties to the consolidated financial statements.

### 2. OTHER OPERATING EXPENSES

EUR	2019	2018
IT expenses	39,251.96	112,189.94
Expert services	307,226.44	243,087.23
Other expenses	367,884.74	241,445.26
<b>Total</b>	<b>714,363.14</b>	<b>596,722.43</b>
<b>Auditor's fees</b>		
Audit	17,023.45	17,126.19
Other services	28,421.79	28,383.00
<b>Total</b>	<b>45,445.24</b>	<b>45,509.19</b>

The company's auditor for 2018 and 2019 was KPMG Oy Ab.

### 3. FINANCIAL INCOME AND EXPENSES

EUR	2019	2018
Other financial expenses	580.79	755.55
<b>Total</b>	<b>580.79</b>	<b>755.55</b>

## Notes to the parent company financial statements

**4. INVESTMENTS****Holdings in group companies**

EUR	2019
Acquisition cost, 1 January	17,406,928.24
<b>Acquisition cost, 31 December</b>	<b>17,406,928.24</b>
<b>Book value, 1 January</b>	<b>17,406,928.24</b>
<b>Book value, 31 December</b>	<b>17,406,928.24</b>

EUR	2018
Acquisition cost, 1 January	10,256,928.24
Increases	7,150,000.00
<b>Acquisition cost, 31 December</b>	<b>17,406,928.24</b>
<b>Book value, 1 January</b>	<b>10,256,928.24</b>
<b>Book value, 31 December</b>	<b>17,406,928.24</b>

**Itemization of shares**

Group companies	Domicile	Country	Holding	Share of votes
Digia Hong Kong Ltd	Hong Kong	China	100%	100%
The Qt Company Oy	Espoo	Finland	100%	100%

## Notes to the parent company financial statements

**5. CHANGES IN SHAREHOLDERS' EQUITY**

EUR	2019	2018
Share capital, 1 January	500,000.00	500,000.00
Share capital, 31 December	500,000.00	500,000.00
Unrestricted shareholders' equity reserve, 1 January	24,036,509.55	24,036,509.55
Unrestricted shareholders' equity reserve, 31 December	24,036,509.55	24,036,509.55
Own shares	-1,922,186.82	0.00
Retained earnings	-4,412,651.43	-3,561,144.15
Net profit (loss)	-1,049,994.67	-851,507.28
<b>Total shareholders' equity</b>	<b>17,151,676.63</b>	<b>20,123,858.12</b>
<b>Calculation of distributable funds</b>		
Unrestricted shareholders' equity reserve	24,036,509.55	24,036,509.55
Own shares	-1,922,186.82	0.00
Retained earnings	-4,412,651.43	-3,561,144.15
Net profit (loss)	-1,049,994.67	-851,507.28
<b>Total distributable funds</b>	<b>16,651,676.63</b>	<b>19,623,858.12</b>

## Notes to the parent company financial statements

**6. ACCRUED CHARGES AND DEFERRED CREDITS**

EUR	2019	2018
Accrued charges and deferred credits to group companies	450,640.21	350,000.00
Personnel expense allocations	161,974.27	53,328.05
Other accrued charges and deferred credits	5,519.14	7,529.16
<b>Total</b>	<b>618,133.62</b>	<b>410,857.21</b>

**Board of Directors dividend proposal**

Parent company's net result showed a loss of EUR -1,049,994.67. The Board of Directors of the Qt Group Plc proposes to the Annual General Meeting that no dividend be paid for the fiscal year that ended on 31 December 2019.

## Signatures to the Financial Statements and the Board of Directors' Report

**ESPOO, 13 FEBRUARY 2020**



**Robert Ingman**

Chairman of the Board of Directors



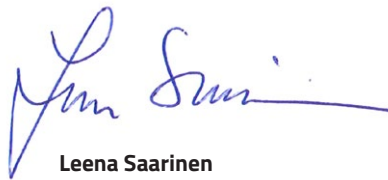
**Tommi Uhari**

Vice Chairman of the Board of Directors



**Jaakko Koppinen**

Member of the Board of Directors



**Leena Saarinen**

Member of the Board of Directors



**Mikko Marsio**

Member of the Board of Directors



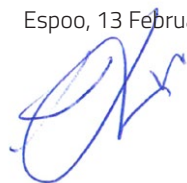
**Juha Varelius**

President and CEO

### AUDITORS' NOTE

The report of the audit has been issued today.

Espoo, 13 February 2020



KPMG Oy Ab

Authorized Public Accountants

Kim Järvi, Authorised Public Accountant

# Auditor's Report

## To the Annual General Meeting of Qt Group Plc

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Opinion

We have audited the financial statements of Qt Group Plc (business identity code 2733394-8) for the year ended December 31, 2019. The financial statements comprise the consolidated balance sheet, income statement, 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 Audit Committee.

#### 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 8 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 judgement, 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****VALUATION OF GOODWILL – REFER TO ACCOUNTING PRINCIPLES AND NOTE 12 IN THE CONSOLIDATED FINANCIAL STATEMENTS**

- Goodwill of EUR 6.6 million relates to the acquisition of the Qt Business.
- Goodwill is tested for impairment when indicators of impairment exist, or at least annually. Goodwill impairment testing is conducted by comparing the carrying value with the recoverable amount using a discounted cash flow model.
- Determining the key assumptions used in the impairment tests requires management judgement and estimates especially relating to long term growth, profitability and discount rates.
- Valuation of goodwill is considered a key audit matter due to the significant carrying value and high level of management judgement involved.
- We have assessed the assumptions used in respect of discount rate, profitability as well as forecast growth rates and involved valuation KPMG experts to assess the appropriateness of the discount rates used which include comparison to economic and industry forecasts where appropriate as well as perform audit procedures on technical appropriateness of the calculations.
- We have applied professional judgement when evaluating the forecasts by testing key assumptions, assessing the impact of the sensitivity analysis as well as reconciling those to the forecasts approved by the Board of Directors.
- In addition, we have assessed the adequacy and appropriateness of the notes in the financial statements on goodwill and impairment testing.

**REVENUE RECOGNITION AND VALUATION OF ACCOUNTS RECEIVABLE****– REFER TO ACCOUNTING PRINCIPLES AND NOTES 2 AND 15 IN THE CONSOLIDATED FINANCIAL STATEMENTS**

- Revenue recognition is one of the key areas of focus, in respect of the risk of management override and timing of revenue for license, maintenance and consulting income.
- Accounts receivable includes management estimate relating to valuation of overdue accounts receivable.
- We have tested controls over revenue recognition, including timing of revenue recognition, as well as performed substantive testing.
- We have assessed the recoverability of overdue accounts receivable and the related evidence as well as challenged the management's assessment of the bad debt provision.

### **Responsibilities of the Board of Directors and the Managing Director for the Financial Statements**

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

### **Auditor's Responsibilities for the Audit of Financial Statements**

Our objectives are to obtain reasonable assurance about 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 the 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 judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

## **OTHER REPORTING REQUIREMENTS**

### **Information on our audit engagement**

We were first appointed as the auditors of Qt Group Plc by the Annual General Meeting on May 1, 2016, when the company was founded as the result of de-merger from Digia Plc. Our

appointment as auditors of Digia Plc represents a total period of uninterrupted engagement since 2015.

### **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.

Helsinki, February 13, 2020

KPMG OY AB

**Kim Järvi**

Authorized Public Accountant, KHT

# Corporate Governance Statement 2019

## I. Introduction

This Corporate Governance Statement has been prepared in accordance with the Governance Code for Listed Finnish Companies 2020 ("Governance Code") and chapter 7, section 7 of Finnish Securities Market Act (746/2012). This Statement has been issued separately from the Board's operating and financial review.

The Governance Code is available on the Finnish Securities Market Association website at [www.cgfinland.fi](http://www.cgfinland.fi).

## II. Governance

Qt Group Plc's (hereinafter referred to as the "company") corporate governance system is based on the Companies Act, the Securities Markets Act, general corporate governance recommendations, and the company's Articles of Association and in-company rules and regulations on corporate governance.

The company's corporate governance principles are integrity, accountability, fairness and transparency. This means, among other things, that:

- The company complies with the applicable laws, rules and regulations.
- The company organizes, plans and manages its operations, and does business abiding by the applicable professional requirements approved by Board members, who demonstrate due care and responsibility in performing their duties.
- The company demonstrates special prudence with respect to the management of its capital and assets.
- The company's policy is to keep all market participants actively, openly and equitably informed of its business operations.
- The company's management, administration and personnel are subject to the appropriate internal and external audits and supervision.

## SHAREHOLDERS' MEETING

The company's highest decision-making body is the Shareholders' Meeting at which shareholders exercise their voting rights regarding company matters. Each company share entitles the holder to one vote at the Shareholders' Meeting.

The AGM will be held annually within three (3) months of the end of the financial year. An Extraordinary General Meeting will be held if the Board of Directors deems it necessary or if requested in writing by a company auditor or shareholders holding a minimum of 10 percent (1/10) of the company's shares, for the purpose of discussing a specific issue.

The Finnish Limited Liability Companies Act and the company's Articles of Association define the responsibilities and duties of the Shareholders' Meeting.

Extraordinary General Meetings decide on the matters for which they have been specifically convened.

## BOARD OF DIRECTORS

### Operations and duties

Elected by the Shareholders' Meeting, the Board of Directors is in charge of company administration and the appropriate organisation of company operations. Under the Articles of Association, the Board of Directors consists of four (4) to eight (8) members. The Compensation and Nomination Committee prepares a proposal for the Shareholders' Meeting regarding the composition of the new Board of Directors to be appointed.

The majority of Board members must be independent of the company and a minimum of two (2) of those members must also be independent of the company's major shareholders. The President and CEO or other company employees under

the President and CEO's direction may not be elected members of the Board.

The term of all Board members expires at the end of the Annual General Meeting following their election. A Board member can be re-elected without limitations on the number of successive terms. The Board of Directors elects its Chairman and Vice Chairman from amongst its members.

The Board of Directors has determined the principles regarding the diversity of the Board of Directors. Accordingly, the requirements of company size, market position and business industry should be duly reflected when composing the Board of Directors. When composing the Board of Directors, the objective is that the Board of Directors will always include necessary expertise especially in the following key areas:

- the company's field of business,
- management of a similar-sized company,
- the specific nature of a publicly listed company,
- accounting,
- risk management, and
- Board activity.

The aim for the composition the Board of Directors is to have both genders represented. The defined diversity principles were well fulfilled in the company's Board of Directors during financial year 2019.

The Board has prepared and approved a written agenda for its work. In addition to Board duties prescribed by the Companies Act and other rules and regulations, the Board of Directors is

responsible for issues on its agenda, observing the following guidelines:

- Good board practices require that the Board of Directors, instead of needlessly interfering in the details involved in day-to-day operations, concentrate on elaborating the company's short- and long-term strategies.
- The Board's general duty is to steer the company's business with a view to maximizing shareholder value in the long term, while taking account of expectations set by various stakeholder groups; and
- Board members are required to perform on the basis of sufficient, relevant and updated information, in order to serve the company's interests.

In addition, the Board's agenda:

- defines the Board's annual action plan and provides a preliminary meeting schedule and framework agenda for each meeting;
- provides guidelines for the Board's annual self-assessment;
- provides guidelines for distributing notices of meetings and advance information to the Board and procedures for keeping and adopting minutes;
- defines job descriptions for the Chairman, members and secretary of the Board of Directors (the secretary is the Company's General Counsel or, if absent, the CEO); and
- defines the framework within which the Board may set up special committees or working groups.

The Board evaluates its activities and working methods annually, employing an external consultant for this evaluation, if necessary.

# Board of Directors



## ROBERT INGMAN

b. 1961

M.Sc. (Eng.), M.Sc. (Econ.)

Chairman of the Board of Directors of Qt Group Plc since 2016. Member of the Compensation and Nomination Committee.

Full-time Chairman of the Board of Ingman Group Oy Ab.

His previous posts include Managing Director at Arla Ingman Oy Ab (2007–2011) and Ingman Foods Oy Ab (1997–2006). Chairman of the Board of Etteplan Oyj, Halti Ltd, Digia Plc, and M-Brain Ltd. Member of the Board of Evli Pankki Plc.



## LEENA SAARINEN

b. 1960

M.Sc. (Food technology)

Member of the Board of Directors of Qt Group Plc since 2016. Chairman of the Compensation and Nomination Committee.

Currently works as a board professional, holding Board chairman or Board member roles in various companies, including Palmia Ltd, Arcus ASA, Handelsbanken Finland and Etteplan Oyj.

Her previous posts include Managing Director at Suomen Lähikauppa Ltd (2007–2010), President and CEO at Altia Corporation (2005–2007) and various positions at Unilever (1990–2005). Member of the Directors' Institute of Finland. Independent of the company and major shareholders.



## TOMMI UHARI

b. 1971

M.Sc. (Eng.)

Vice Chairman of the Board of Directors of Qt Group Plc since 2016. Chairman of the Audit Committee and member of the Compensation and Nomination Committee.

Currently serves as Partner and Board member of Karma Ventures and holds board member and strategic advisor roles in various companies.

Co-founder and CEO at Uros Ltd (2011–2015). His previous posts include management team member of ST Microelectronics (2006–2010), various managerial positions at ST's joint ventures ST-NXP Wireless and ST-Ericsson (2008–2010), head of ST's Wireless Business Unit (2006–2008) and Director of Nokia Wireless and SW platforms units at Nokia (1999–2006).



## JAAKKO KOPPINEN

b. 1969

M.Sc. (Eng.)

Member of the Board of Directors of Qt Group Plc since 2018.

Jaakko Koppinen is Global Division President and member of the Board at Sandvik Mining and Construction Oy.

He previously served as Managing Director of Orica Finland Oy (2016–2017), and as General Manager of Wihuri Oy Witraktor (2012–2015). He also has held several senior management roles at Konecranes Plc (2008–2012) and at Sandvik Group (1995–2008).



## MIKKO MARSIO

b. 1971

M.Sc. (Eng.)

Member of the Board of Directors of Qt Group Plc since 2018.

Currently works as Digital Lead / SVP in Process Industries unit at ABB.

His previous posts include various managerial positions e.g. at Empower Group (2016–2017), Dovre Group Plc (2012–2015), Hewlett-Packard (2005–2008) and Fortum Plc (1996–2001).

## Composition of Board of Directors

### THE BOARD OF DIRECTORS OF QT GROUP PLC 2019

Name	EDUCATION	YEAR OF BIRTH	MAIN ACTIVITY	OWNERSHIP* shares
Robert Ingman	M.Sc. (Eng.), M.Sc. (Econ.)	1961	Chairman of the Board of Directors at Ingman Group Oy Ab	5,173,000
Jaakko Koppinen	M.Sc. (Eng.)	1969	President, Sandvik Mining and Construction Oy	0
Mikko Marsio	M.Sc. (Eng.)	1971	SVP, Process Industries unit at ABB	430
Leena Saarinen	M.Sc. (Food Technology)	1960	Board professional	2,844
Tommi Uhari	M.Sc. (Eng.)	1971	Partner at Karma Ventures – Venture Capital fund	410,620

\* Company shares and share-based rights held directly or through legal entities under person's control as per 31 December 2019.

No Board Member owns any stock-options or other share-based rights in the company.

Of the aforementioned Members of the Board, Jaakko Koppinen, Mikko Marsio, Leena Saarinen and Tommi Uhari are independent of the company and its major shareholders. Robert Ingman is independent of the company. Robert Ingman is not independent of the company's major shareholders due to his role as a Chairman of the Board of the company biggest shareholder Ingman Development Oy Ab.

During the financial year 2019, the Board of Directors held 9 meetings. The participation rate into the meetings was the following:

Member	PARTICIPATION
Robert Ingman (Chairman)	9/9
Jaakko Koppinen	8/9
Mikko Marsio	9/9
Leena Saarinen	9/9
Tommi Uhari	8/9
<b>Total</b>	<b>96%</b>

### Committees of the Board of Directors

The company's Board of Directors had two (2) committees in financial year 2019: the Compensation and Nomination Committee and the Audit Committee.

These committees do not hold powers of decision or execution. They assist the Board in decision-making concerning their own areas of expertise. The committees report regularly on their work to the Board, which governs and assumes collegiate responsibility for the committees' work.

The purpose of the Compensation and Nomination Committee is to prepare and follow-up the remuneration policy and remuneration report for the company's governing bodies as well as compensation and remuneration schemes for the company management in order to ensure that the company's targets are met, to guarantee the objectivity of decision-making, and to see to it that the schemes are transparent and systematic. The Compensation and Nomination Committee also prepares a proposal for the Annual General Meeting concerning the number of members of the Board of Directors, the members of the Board of Directors, the remuneration of the Chairman, Vice Chairman and members of the Board and the remuneration of the chairmen and members of the committees of the Board of Directors.

During 2019, the members of the Compensation and Nomination Committee and their participation rate into the meetings were as follows:

Member	PARTICIPATION
Robert Ingman	5/5
Leena Saarinen (Chairman)	5/5
Tommi Uhari	5/5
<b>Total</b>	<b>100%</b>

The purpose of the Audit Committee is to assist the Board of Directors in ensuring that the company's financial reporting, accounting methods, financial statements and other reported financial information are legitimate, balanced, transparent and clear.

During 2019, the members of the Audit Committee and their participation rate into the meetings were as follows:

Member	PARTICIPATION
Jaakko Koppinen	4/4
Mikko Marsio	4/4
Tommi Uhari (Chairman)	4/4
<b>Total</b>	<b>100%</b>



## Management Team

The company has a Management Team, chaired by the CEO of the company. The Board of Directors appoints the Chief Executive Officer and, upon the CEO's proposal, confirms the appointment of Management Team members and their essential terms of their employment. The CEO, together with the other members of the Management Team, is in charge of company's business operations and administration in accordance with the instructions and regulations issued by the Board of Directors, and as defined by the Finnish Limited Liability Companies Act.

The CEO may take exceptional and far-reaching measures, in view of the nature and scope of the company's activities, only if so authorised by the Board of Directors. The CEO is not a member of the Board of Directors but attends Board meetings.

On 31 December 2019 CEO Juha Varelius owned 568,941 stock-options under the company's 2016 Option scheme and other management team members combined owned a total of 496,531 stock options\*.

\* Such amount excludes the stock options held by CTO Lars Knoll.

### THE MANAGEMENT TEAM OF THE COMPANY 2019

Name	EDUCATION	YEAR OF BIRTH	RESPONSIBILITY	OWNERSHIP* shares
Juha Varelius	M.Sc. (Econ.)	1963	Chief Executive Officer	280,776
Mika Harjuaho	M.Sc. (Econ.)	1966	Chief Financial Officer	5,000
Petteri Holländer	M.Sc. student (Eng.)	1974	SVP, Product Management	5,134
Lars Knoll**	Ph.D. in Physics	1971	Chief Technology Officer	0
Katja Kumpulainen	eMBA	1973	SVP, Marketing	0
Juhapekka Niemi	M.Sc. (Computer Sciences)	1968	EVP, Sales and Business Development	30,211
Mika Pälvi	LL.M.	1970	General Counsel	2,087
Helena Telaranta	M.Sc. (Econ.)	1973	SVP, Human Resources	0
Tuukka Turunen	M.Sc. (Computer Sciences), Licentiate of Technology	1974	SVP, R&D	132,292

\* Company shares held directly or through legal entities under control/influence by a person per 31.12.2019.

\*\* CTO Lars Knoll stepped aside from Management Team in December 2019.

# Management Team



## JUHA VARELIUS

b. 1963

Master of Economic Sciences

CEO and Member of the Board of Directors of Qt Group Plc since 2016.

Previously acted as the CEO of Digia Oyj (2008–2016) and in various managerial positions at Everypoint Inc and Yahoo! (2002–2007) as well as Sonera (1993–2002).



## JUHAPEKKA NIEMI

b. 1968

Information Technology Engineer

Executive Vice President of Qt Group Plc since 2016.

Previously acted as Chief Business Officer at Digia Oyj (2013–2016) as well as in various managerial and directorial positions at Nokia Oyj (2000–2013).



## MIKA HARJUAHO

b. 1966

Master of Economic Sciences

Chief Financial Officer of Qt Group Plc since 2016.

Previously acted as Chief Financial Officer of Idean Enterprises Oy (2014–2016), Basware Oyj (2007–2014) and Suunto Oy (2001–2007) as well as Business Controller of Ericsson AB and Oy LM Ericsson AB (1997–2001).



## KATJA KUMPULAINEN

b. 1973

eMBA

Senior Vice President, Marketing of Qt Group Plc since 2016.

Previously acted as Chief Marketing Officer at Digia Oyj (2015–2016) and Nervogrid Oy (2012–2015) as well as in various managerial, directorial and expert positions at Lite-On Mobile Oy (prev. Perlos) (2007–2012) and Basware Oyj (1995–2007). Member of the Board of Directors at Sparklike Oy.



## LARS KNOLL

b. 1971

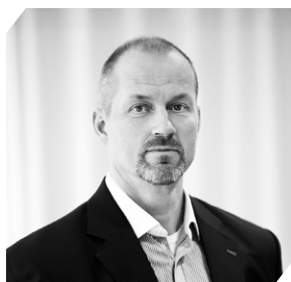
Doctor of Physics

Chief Technology Officer of Qt Group Plc since 2016.

Previously acted as Chief Technology Officer at Digia Oyj (2012–2016), Chief Software Architect (2010–2012) and as Chief Research and Development Officer (2008–2010) at Nokia Oyj.

Prior to this, Knoll has worked with Qt in various positions at Trolltech ASA. Knoll is a citizen of Germany.

CTO Lars Knoll stepped aside from Management Team in December 2019.



### MIKA PÄLSI

b. 1970

Master of Laws

General Counsel of Qt Group Plc since 2016.

Previously acted as General Counsel of Digia Oyj (2009–2016), Senior Legal Counsel at Tieto Oyj (2005–2009) and as an attorney at Castrén & Snellman (1999–2005).



### PETTERI HOLLÄNDER

b. 1974

M.Sc. student (Eng)

Senior Vice President, Product Management of Qt Group Plc since 2016.

Previously acted as Chief Product Officer, Business Development Officer and in other managerial positions at Digia Oyj and its predecessors (2001–2016), and as Product Development Officer at Sonera SmartTrust Oy (1999–2001).



### TUUKKA TURUNEN

b. 1974

Master of Science in Technology,  
Licentiate in Technology

Senior Vice President, Research and Development of Qt Group Plc since 2016.

Previously acted in various managerial and directorial positions at Digia Oyj (2001–2016), as a software developer at Nokia Matkapuhelimet Oy (1997–1998) and in teaching and research positions at the University of Oulu (1996–1997 and 1998–2000).



### HELENA TELARANTA

b. 1973

Master of Economic Sciences

Senior Vice President, Human Resources of Qt Group Plc since 2019.

Previously acted as Business HR Director at Neste (2016–2018), as Vice President, Human Resources, Marine Solutions at Wärtsilä Oyj (2010–2016), and in various managerial positions at Wärtsilä Corporation (2006–2010).

### III. Financial Reporting Related Internal Control and Risk Management Systems

#### CONTROL FUNCTIONS AND CONTROL ENVIRONMENT

The company has a finance unit tasked with verifying monthly reports. The finance unit reports to the management, the Board of Directors and the Board's Audit Committee regarding the financial performance of the company.

The company uses a reporting system which compiles separate subsidiaries' reports into the consolidated financial statements. The accuracy of accounting and the financial statements is monitored by the finance unit. The company also has the necessary separate reporting and information systems for monitoring business operations and asset management.

The Group's finance unit provides instructions for drawing up financial statements and interim financial statements, and compiles the consolidated financial statements. The finance unit has centralised control over the Group's funding and asset management, and is in charge of managing interest rate and currency risk.

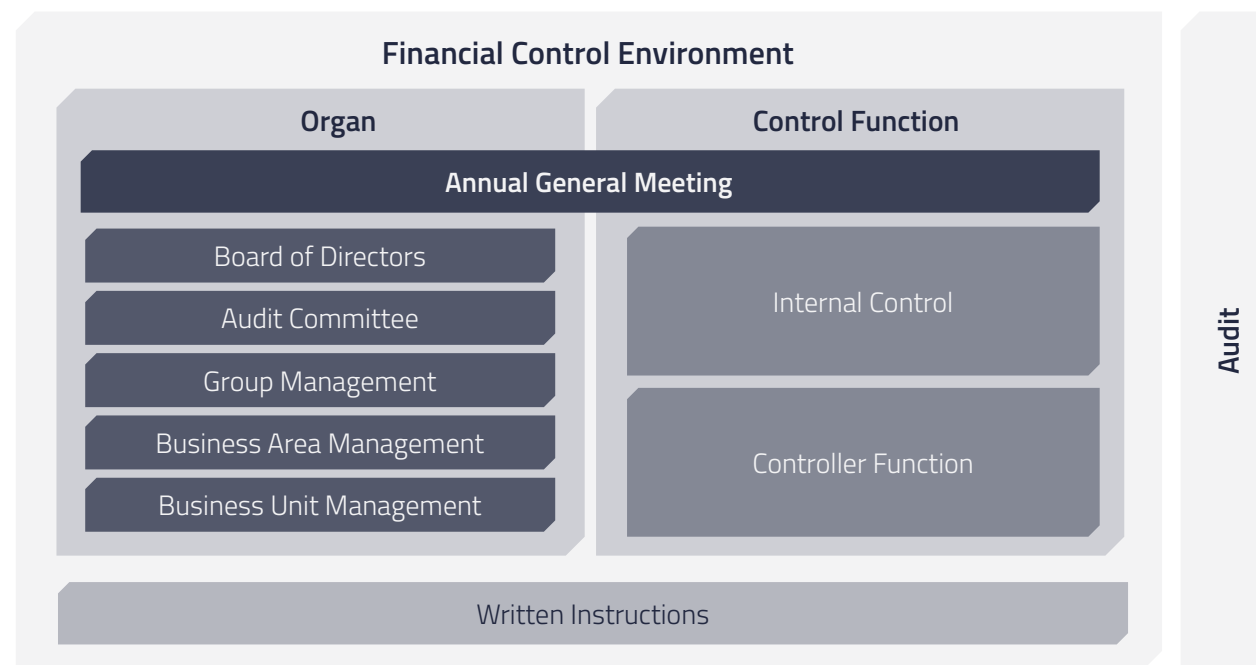
#### INTERNAL RISK CONTROL

As a general principle, authorisation is distributed in the company in such a way that no individual may independently perform measures unbeknown to at least one other individual. For example, the company's bookkeeping and asset management are managed by separate persons, and two authorised persons are needed to sign on behalf of the company.

Group-level reporting and supervision are based on monthly income reporting led by the CFO and on updates of the latest forecasts.

The company's operations are divided into function-specific areas of responsibility, with the Senior Vice Presidents in charge of each function reporting to the President and CEO. The Senior Vice Presidents responsible for the company's functions report to the Management Team on development matters, strategic and annual planning, investments and internal organisational matters related to their areas of responsibility.

The company's operational management and supervision take place according to the corporate governance system described hereinabove. The Group's administration unit is in charge of HR management and policy. The legal affairs unit provides instructions for and monitors contracts made by the company and ensures the legality of the Group's operations.



## COMMUNICATIONS

The Group's General Counsel is in charge of the company's external communications and their correctness. External communications include financial reports and other stock exchange communications. The General Counsel is responsible for the publication of interim reports and financial statements, as well as for actions related to convening and holding Shareholders' Meetings. Most communications take place through the company's website and using stock exchange releases.

## RISK MANAGEMENT

The purpose of the company's risk management process is to identify and manage risks in such a way that the company is able to meet its strategic and financial targets. Risk management is a continuous process, by which the major risks are identified, listed and assessed, the key persons in charge of risk management are appointed and risks are prioritised according to an assessment scale in order to compare the effects and mutual significance of risks.

The main operational risks handled by the company's risk management function are customer risk, personnel risk, data security risk, IPR risk and goodwill risk.

The company manages customer risk by actively developing its customer portfolio structure and avoiding any potential risk positions. Personnel risks are actively assessed and managed using a goal and development discussion process for key personnel. To improve personnel commitment, the company strives to improve the efficiency of internal communications systematically, using regular personnel events and increasing the visibility of management. In addition, the Group's certified quality systems are regularly evaluated. Data security risk is managed through the continuous development of working models, security practices and processes. Risks associated with shared operating models and best practices, as well as their integrated development, are managed according to plan under the supervision of the Group Management Team. Risks typical to software business, especially to international product business, relating to appropriate protection of company's own IPRs and violation of IPRs of third parties are managed through extensive internal policies, standard contracts and appropriate follow-up and analysis. With respect to IFRS-compliant accounting policies, the Group actively monitors goodwill and the related impairment tests, as part of prudent and proactive risk management practices within financial management.

In addition to operational risks, the company is subject to financial risks. The company's internal and external financing and the management of financial risks are coordinated by the finance function of the Group's parent company. This function is responsible for the Group's liquidity, sufficiency of financing, and the management of interest rate and currency risk. The Group is exposed to several financial risks during the normal course of its business. The objective of the Group's risk management is to minimise the adverse effects of changes in the financial markets on the Group's earnings. The primary types of financial risks are interest rate risk, currency risk, credit risk and funding risk. The general principles of risk management are approved by the Board of Directors, and the Group's finance function is responsible for their practical implementation together with the business divisions.

## IV. Other Information

### INTERNAL AUDIT

The tasks of internal audit include, among other things, the assessment of the company's internal control systems and risk management, as well as evaluation of the appropriateness and efficiency of management and administration processes.

Internal audit does not form a function of its own in the company but is the responsibility of the company's Financial and Legal functions.

To follow business activities and financial administration, the company has necessary reporting systems in use. As part of the legality control of the company's activities, the company's Auditor evaluates the functionality of this internal control system.

### AUDITOR

KPMG Oy Ab, Authorised Public Accountants, serves as the auditor of the company, with Authorised Public Accountant Kim Järvi as the principal auditor.

During financial year 2019, the auditor's fees for auditing services was 47,000 euros and 38,000 euros for services that were not related to auditing.

### INSIDER ADMINISTRATION

The company follows the Guidelines for Insiders by Nasdaq Helsinki Oy.

The company's General Counsel is responsible for the compliance with the Insider Guidelines and the follow-up of the disclosure obligation, regarding training.

### RELATED PARTY TRANSACTION GUIDELINES

Related parties of the company mean the related parties of a listed company in accordance with the Limited Liability Companies Act (IAS 24).

Related party transaction means an agreement or other legal act between the company and a related party.

The board of directors shall monitor and evaluate related party transactions and decide on all such transaction whenever they are outside the scope of company's ordinary activities or are not concluded on arm's-length terms.

According to company's related party transaction guidelines the members of the Board and management team are obliged to provide the company's General Counsel, who is company's nominated responsible person for related party matters,

with advance notice of any transactions concluded with the company by them personally or by their respective related parties.

On the other hand, company's General Counsel will follow-up all transactions the company concludes outside the scope of company's ordinary activities or that are not concluded on arm's-length terms.

In the event General Counsel becomes aware of a related party transaction, which is outside the scope of company's ordinary activities or which is not concluded on arm's-length terms, General Counsel shall bring such transaction for the approval by the Board of Directors before such transaction is concluded.

With the exception of transactions between different group companies, company does not ordinarily conclude any transactions with its related parties. As a main rule, all agreements and business transactions of the company are concluded on arm's length terms.

## Statement on Management Remuneration

This management remuneration statement sets forth a summary of the financial benefits, remuneration system and thereto related decision-making pertaining to Board members and operative management of Qt Group Plc.

### A) DESCRIPTION OF THE DECISION-MAKING PROCEDURES CONCERNING REMUNERATION

#### Board of Directors

Qt Group Plc's Compensation and Nomination Committee prepares the remuneration payable to the Board of Directors and grounds for the compensation of expenses. The Shareholders' Meeting decides on the remuneration payable to the Board of Directors and grounds for the compensation of expenses.

#### President and CEO and Other Executives

Qt Group Plc's Compensation and Nomination Committee prepares the remuneration and other rewards and benefits payable to the President and CEO.

The Compensation and Nomination Committee also prepares, in cooperation with the President and CEO, the remunerations and other rewards and benefits payable to the other management team members. If necessary, outside experts and market surveys can also be used in the preparation of remunerations. The Board of Directors decides on the remunerations and other

rewards and benefits payable to the President and CEO. The Board of Directors decides, based on the President and CEO's proposal, on remunerations and other rewards and benefits payable to the other management team members.

By virtue of the authorization granted by the Annual General meeting, the Board of Directors of Qt Group Plc decided at its meeting on 22 June 2016 on an option program, whereunder a maximum of 2,000,000 stock options can be given to the key personnel of the company or its group companies (Option scheme 2016).

By virtue of the authorization granted by the Annual General meeting, the Board of Directors of Qt Group Plc decided at its meeting on 14 February 2019 on a share incentive program, whereunder a maximum reward equal to the value of 530,000 company shares can be given to the key personnel of the company or its group companies (Share bonus scheme 2019).

### B) KEY REMUNERATION PRINCIPLES

#### Remuneration of the Board of Directors

The 2019 Annual General Meeting of Qt Group Plc decided to pay monthly remuneration of EUR 2,500 to the members of Qt Group Plc's Board of Directors, EUR 3,500 to the Vice Chairman and EUR 5,500 to the Chairman for their work on the Board. In addition, the AGM approved EUR 1,000 in fees per commit-

tee meeting for the Chairman of respective Board Committee and EUR 500 in fees per Board or committee meeting for all other Board members of Qt Group Plc. Moreover, the Annual General Meeting decided that standard and reasonable costs resulting from work on the Board of Directors would be reimbursed against invoice.

The company has not granted stock options or share-based remuneration for work on the Board.

#### Remuneration of the President and CEO

CEO Juha Varelius' remuneration package comprises a monthly salary in accordance with his director agreement and a bonus payable on the basis of reaching the set targets.

At the time of issuing this statement, the CEO was paid EUR 305,639 per year in salary and fringe benefits.

In addition to the monthly salary, the CEO is paid a bonus which is based on bonus schemes confirmed for the company.

Under the company's bonus scheme, the earning criteria for the bonus is the growth of Qt group's net sales. Upon fulfilment of the target set for net sales, the CEO is paid a bonus equal to 40 percent of his annual base salary. Upon exceeding the said target, the bonus will increase as follows: 30% of each euro that exceeds the net sales target is used for the

CEO's and other company personnel's bonus rewards including social costs. The maximum bonus for the CEO under the bonus scheme is 120 percent of his annual base salary. However, no bonus shall be paid if the company's operating profit falls below the set minimum level. The fulfilment of bonus criteria is evaluated and possible rewards are paid semiannually.

Company has two valid long term incentive schemes: Option scheme 2016 and Share bonus scheme 2019.

Under the company's 2016 option scheme ([https://qt-investors-uploads.s3.amazonaws.com/wp-content/uploads/STOCK-OPTIONS-2016\\_ENG.pdf](https://qt-investors-uploads.s3.amazonaws.com/wp-content/uploads/STOCK-OPTIONS-2016_ENG.pdf)), the President and CEO has been issued 568,941 stock options, each of which entitles its holder to subscribe for one (1) new share in the company or an existing share held by the company. The share subscription period for the stock options is 19 December 2019–31 December 2022 and the subscription price is EUR 4.84. A precondition for the share subscription is that the value of the company's share based on the trade volume weighted average quotation on the NASDAQ Helsinki Ltd is at least five euros and eighty-five cents (EUR 5.85) between 18 November 2019 and 13 December 2019. At the date of issuing this statement such precondition has been fulfilled and the stock options are thus vested with the CEO.

Under the share bonus scheme 2019 (<https://investors.qt.io/governance/compensations/>) the President and CEO is entitled to a maximum reward equal to the value of 100,000 company shares. Scheme has one earning period covering years 2019 and 2021. Rewards in the

program are determined by Qt Group Plc's net sales in 2021. Rewards will start accumulating once the net sales for 2021 exceed EUR 80 million, and they then continue to increase in a linear manner up to a maximum value which is reached once net sales reach EUR 120 million. Rewards shall be paid after confirmation of 2021 financial statements in combination of shares and cash. The cash portion of the reward will primarily be used to cover taxes and other comparable costs arising from the scheme. Received rewards are free from any restraints on disposability or otherwise.

The company may terminate the CEO's service contract with six (6) months' notice. Upon such termination, he will receive remuneration for the notice period plus severance pay equaling twelve (12) months' salary.

The CEO's retirement age is as stipulated by law, and he has no supplementary pension agreement with the company.

#### **Remuneration of Other Management Team**

The company's executive management consists of the Group Management Team, which comprises the CEO and seven (7) other members\*.

The total remuneration package of the said other management team comprises a monthly salary and the bonus payable on the basis of reaching the set targets. Annual fixed salaries including fringe benefits for the other management team members totalled EUR 871,638 per year at the time of issuing this statement.

The earning criteria and conditions of the merit bonus for the other management team members are the same as those of the CEO, but the amount of the bonus at the target level varies between 30 and 44 percent of the individual's annual base salary.

As with the CEO, the maximum bonus is three times the target level.

Under the company's 2016 option scheme, the other management team members have been issued 496,531 stock options\*\*, each of which entitles its holder to subscribe for one (1) new share in the company or an existing share held by the company under terms corresponding to those of the CEO.

Under the company's share bonus scheme 2019, the other management team members are, in aggregate, entitled to total maximum reward equal to the value of 112,000 company shares under terms corresponding to those of the CEO.

The retirement age of the other management team members is stipulated by law and none of the executives has a supplementary pension agreement with the company.

\* In the fiscal year 2019 the Group Management Team comprised eight (8) members in addition to CEO. CTO Lars Knoll stepped aside from management team in December 2019.

\*\* Such amount excludes the option rights vested with CTO Lars Knoll who left management team in December 2019.



## C) REMUNERATION REPORT\*

### Remuneration of the Board of Directors

In fiscal year 2019, the members of the Board of Directors were paid remuneration for their work on the Board and its Committees as follows:

Name	Monetary remuneration/EUR	Share-based remuneration/EUR	Total/EUR
Robert Ingman	72,000	-	72,000
Jaakko Koppinen	36,000	-	36,000
Mikko Marsio	36,000	-	36,000
Leena Saarinen	38,000	-	38,000
Tommi Uhari	52,000	-	52,000
<b>Total</b>	<b>234,000</b>	<b>-</b>	<b>234,000</b>

### Remuneration of the President and CEO

In fiscal year 2019, the President and CEO was paid salary and other benefits as follows:

Name	Salary (including fringe benefits) EUR	Bonus EUR	Share based part of bonus EUR	Total EUR
Juha Varelius	305,639	21,807	-	<b>327,446</b>

### Remuneration of Other Executives

The company has a Management Team, which comprises in the fiscal year 2019 the CEO and the following persons:

Mika Harjuaho (CFO)  
 Petteri Holländer (SVP Product Management)  
 Lars Knoll (CTO)  
 Katja Kumpulainen (SVP Marketing)  
 Juhapekka Niemi (EVP Sales and Business Development)  
 Mika Päläsi (General Counsel)  
 Helena Telaranta (SVP Human Resources)  
 Tuukka Turunen (SVP Research and Development)

In fiscal year 2019, the other Management Team was paid salaries (including fringe benefits) and other benefits as follows:

Name	Salary (including fringe benefits) EUR	Bonus EUR	Share based part of bonus EUR	Total EUR
Other Management Team (8 persons)	1,026,305	57,781	-	<b>1,084,086</b>

# Information for Shareholders

Qt Group Plc's investor communications produce reliable and up-to-date information on the company's business operations in a timely and equal manner for all interested parties.

The company's annual reports, interim reports, stock exchange releases and press releases are available in Finnish and English at <https://investors.qt.io>. To subscribe to stock exchange releases, please send your e-mail contact information to [pr@qt.io](mailto:pr@qt.io).

Qt's Annual General Meeting will be held on Tuesday, 10th of March 2020 at 10:00 a.m. at Jugend Hall, GLO Hotel Art, address Lönnrotinkatu 29, Helsinki. More information on registering for the AGM and the AGM documents are available at [investors.qt.io](https://investors.qt.io).

## Financial calendar 2020

14 February	Financial statements bulletin for 2019 and annual report
23 April	Interim statement January–March
7 August	Half year financial report
29 October	Interim statement January–September

### Basic information on the share

Listed (2016) on Nasdaq Helsinki Ltd  
Trading code: QTCOM  
Number of shares: 23,792,312

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