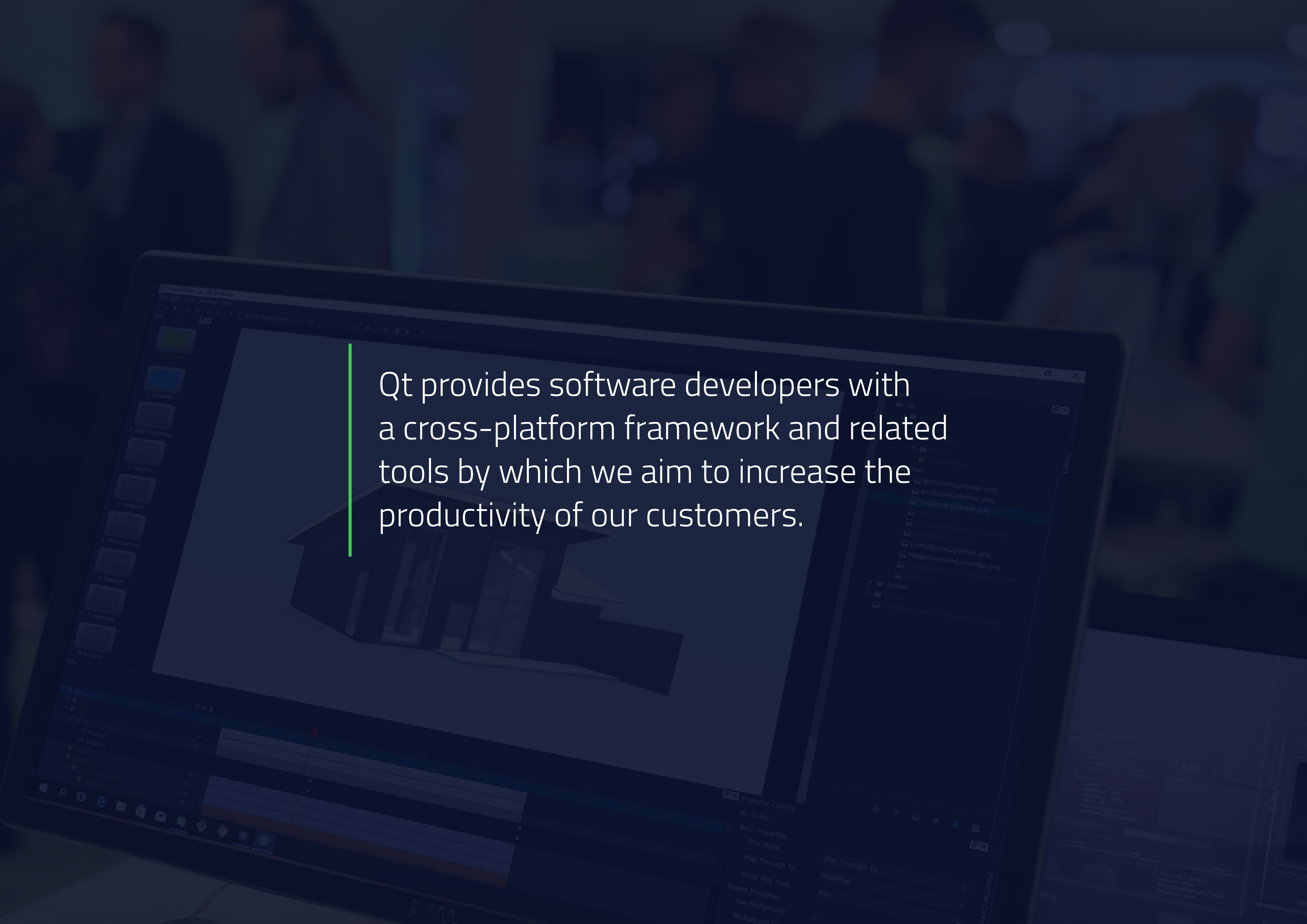
Qt Group

The future is written with Qt

Annual Report 2017



Qt provides software developers with a cross-platform framework and related tools by which we aim to increase the productivity of our customers.

investors.qt.io

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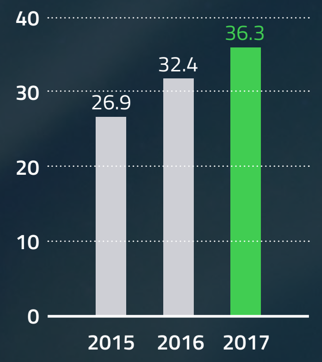
Qt Group in 2017

Net sales
MEUR

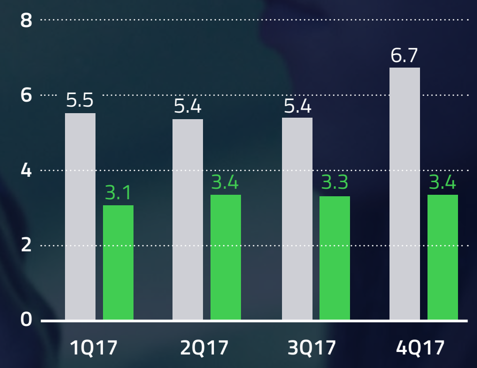
36.3

* 32.4



Net sales, by type
MEUR

License sales and consulting
Support and maintenance



-3,206
Operating result
EUR thousand
* -1,736

-8.8%
Operating margin
% OF NET SALES
* -5.4%

-15.3%
Return on investment
* -12.0%

42.9%
Equity ratio
* 40.0%

-0.14
Earnings per share
EUR
* -0.08

255
Personnel on average
* 209

Listed on Nasdaq OMX Helsinki since 2 May 2016.

* 2016

Qt Group in brief

Qt Group is a company focusing on the development of software tools, responsible for the development, productisation 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 supports several operating systems from desktop computers to embedded systems and mobile devices. Qt helps software developers to save time used for application and hardware development, because testing is quick and application for several platforms does not require recoding.

Used by more than a million software developers worldwide, Qt enables the development of powerful, interactive and cross-platform applications and devices. Qt Group is responsible for maintaining the operating conditions and systems for the open source Qt Project developer community. We engage in software development with an open administration model together with the open source community and Qt partner enterprises.

Qt has operating locations in Finland, Norway, Germany, the United States, Russia, Japan, China and South Korea. 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 future is written with Qt

President and CEO's review

Implementation of growth strategy proceeding as planned

Devices connected to the internet and touch screens are becoming more common in consumer and professional use. As a software company, Qt enables the digitalisation of the world by offering the technology and tools to different industries for building user interfaces and solutions for different platforms – desktop computers, mobile devices and embedded systems, which are used in cars, consumer electronics, industrial automation and domestic appliances, for example.

In the on-going digital revolution, Qt plays a significant role as an enabling technology platform, and based on this, the Board of Directors of Qt set new long-term financial objectives for us at the beginning of 2017. In accordance with the updated strategy, our aim is to reach annual net sales of EUR 100 million and an operating profit margin of more than 15% in 2021.

We have proceeded with the implementation of the strategy as planned. During the spring, we carried out a rights issue, successfully raising gross assets of approximately EUR 15.3 million to accelerate investments in growing the global sales network and for product development in select industries in particular. We recruited more growth drivers, and we have additionally invested in product development for the automotive industry's customer segment, for example.

In 2017, we laid the foundation for future growth. Our net sales increased by 11.9 per cent to EUR 36.3 million. The growth of net sales fell slightly short of the forecast level and it was weighed down by the strengthening of the euro compared to the dollar during the latter half of the year and the postponing of several medium-sized contracts in late phases of negotiations until 2018. There might be significant differences between quarters and comparison periods in the growth of net sales also in the future, depending on the timing of individual significant contracts. At comparable exchange rates, the net sales grew by 20.7 per cent in Q4/2017 and 13.4 per cent in 2017 as a whole. Qt's operating result for 2017 was at a loss as predicted, -3,206,000 euros (-1,736). We see very promising growth prospects in the next few years.

> We facilitate our customers' future user-friendly innovations

The importance of user experience as a competitive advantage will be emphasised in the future, and we have continued our trailblazing work that has continued for over 20 years as a facilitator of user interface innovations. Last year, we launched a new 3D-based design tool, Qt 3D Studio. With it, graphic designers can cooperate seamlessly and efficiently with programmers in designing digital car instrument panels, for example. This is what Qt is ultimately about: we facilitate our customers' future user-friendly software and user interface innovations.

Qt is based on cooperation and innovation. Our customers, partners and industry experts are all important stakeholders to us, and we meet them at our annual Qt World Summit. Over 1,000 participants attended the sold-out Qt World Summit which featured almost 90 talks by experts. We will continue this dialog through different channels during the year.

I want to take this opportunity to thank our customers, partners and shareholders for their trust in the company. I would like to thank our employees for their dedicated and inspired work. Thanks go to also those more than a million software developers around the world who are making our product unique as part of the Qt ecosystem.

Juha Varelius
President and CEO
Qt Group Plc

Strategy 2017–2021

On the path to growth

Qt Group's Board of Directors has set a long-term financial target of EUR 100 million in annual net sales and operating profit (EBIT) of at least 15 per cent in 2021. 2017 was the first year of the five-year strategy, and we proceeded with the long-term strategy as planned during it.

At the beginning of 2017, the Board of Directors of Qt Group set accelerating the company's growth as the strategy by investing more in the strategic development areas of growing the global sales network and focusing product development on selected industries. In order to accelerate the investments pursuant to the strategy, we organised a directed share issue during the first half of 2017, raising gross proceeds of EUR 15.3 million as planned.

Growing the global sales network

During 2017, we implemented the strategy above all by investing in growing the global sales network. In the sale of embedded systems in particular, on which the growth strategy strongly leans, the sales cycles are long and require a local presence. We have particularly invested in our biggest market areas, currently the United States, Germany, France, UK, Japan, South Korea and China.

Strong core business gains support from digitalisation

Our current business is based strongly on supporting the creation of desktop applications and graphic user interfaces in all kinds of environments. In many industries, digitalisation is increasing the number of screens, but also the need to visualise and control large amounts of data using desktop applications. In factory environments, for example, traditional control systems are becoming digitalised, meaning that the devices have only digital touchscreens and the entire system is controlled centrally using desktop applications connected to the web. This is why it is important for us to continue strengthening our basic selection of desktop applications and to enable effective, platform-independent design and implementation of graphic user interfaces for embedded devices in a wide range of environments.

Partners are important to us

As a high-tech product, the sales of Qt require a lot of technical capability and support for customers. Similarly to the software industry in general, finding technical expertise is challenging. We have been able to respond to increasing technical demand through tighter cooperation with our partner network, and we will grow our in-house consulting service in the future. In 2018, our aim is to improve the technical capability of the sales network and our in-house service business and its sales worldwide. The aim of the service business is to support the technology choices of large equipment manufacturers even better. In addition, we will continue to grow our sales network and improve the scalable sales process. The aim is also to grow the network of retailers, particularly in countries with smaller business potential or where we do not yet have our own presence, or where it is necessary to know the local operating methods or markets.

Product development in selected industries

We have also focused our product portfolio to meet the needs of the industries important to us. We aim to increase sales strongly in a situation in which significant industries

Strategy 2017–2021

are undergoing a technological transformation and large equipment manufacturers make their choices of future technology platforms.

In the automotive industry, Qt has become the technology for realising the displays of an increasing number of manufacturers. In 2017, we have also gained a foothold in digital instrument panels with new product innovations. The Qt technology now also facilitates a shared technology platform for the digital user experience of the car as a whole.

The technology is chosen today

Car manufacturers are currently designing their major software platform solutions for new car models in which all of the displays of the car have been built on the same platform and technology. In cars, this change will be evident in that the number of digital displays will gradually increase and media or navigation reproduced with the entertainment system, for example, is visible and can be seamlessly controlled on all of the displays of the car or by voice. Qt has gained a strong foothold in these future technology platforms during 2017 as remarkable car manufactures launched interesting Qt-based concept cars.

We also published new versions for the automotive industry's product portfolio and introduced a completely new 3D-based user interface design tool with which designers can make 3D-based instrument panels, for example, and work seamlessly with software developers. Our 3D-based solutions facilitate future innovations similarly in other industries and in developing more conventional workstation solutions, which is an important part of our current customer base.

We are negotiating with several major car manufacturers and developing concepts with Qt technology. We are making our cooperation with car manufacturers closer in sales and technology and aim to support their future technology choices. However, industrial development cycles are long, so significant hardware-based net sales from these possible choices are expected to be recognised as revenue only starting from 2019.

In the field of industrial and building automation, smart TV and medical devices, Qt is a well-adopted technology and we secured new deals in all market segments. We published our own targeted product portfolio for the needs of industrial automation, and our aim is to continue deepening our large customer accounts. We also focused our product portfolio in the medical device market segment so that the customer's device certification will be easier and the equipment manufacturer's development investments will be lower.

Market and segment review

The ongoing technological revolution opens up new opportunities for us

> The global software development tool market is estimated to be approximately USD 10 billion, and the number of software developers is estimated to increase to approximately 25 million by 2020[2].

The most significant areas of the software development tool market are conventional desktop application development, mobile applications and embedded systems. The Qt technology can be utilized in all of these areas; of these, the biggest commercial growth potential is expected to be involved in the development of embedded systems. In workstation application development, we have good awareness and solid technology, and to support growth, Qt's technology will be enhanced especially regarding quality and compatibility, but also by introducing new 3D-based innovations to support future user interface development. The technologies competing with Qt are most commonly based on HTML5 techniques or parties specializing in a specific field.

The whole world as the market

Over a couple of decades, we have built a global community of over a million developers using the Qt technology, with a significant share of its members utilising open source code licenses. Our business focuses on the commercial Qt development environment that is in active use globally in the desktop, mobile and embedded software solutions of thousands of customer companies. Our customers represent dozens of industries – consumer electronics, automotive industry, aviation industry, energy, defense administration, medical devices and media. Our key market areas are the United States, Germany, Japan, South Korea, UK, France and China.

Platform-independence is our asset

The common denominator of our customer base is the need for creating software products that improve the customer's own competitiveness. Conventionally, Qt technologies have been utilised in implementing desktop applications. As embedded software is becoming more common, the possibilities of using Qt technology will take a significant role in devices that use graphic user interfaces. Moreover, Qt technology can be utilized in mobile operating systems, such as Android, iOS and Windows.

The most significant areas of the software development tool market are conventional desktop application development, mobile applications and embedded systems. With the Internet of Things, the number of embedded systems in particular is expected to increase in the future, and IoT will provide numerous business opportunities to companies of different sizes. We have divided out target market into two main segments: workstation and mobile application development (Qt for Application Development) and embedded system application development (Qt for Device Creation). In addition, we have expanded our portfolio industry-specifically for the needs of the automotive industry, for example (Qt Automotive Suite).

We operate in a growing market

Software developers are currently estimated to number approximately 20 million, increasing to approximately 25 million by 2020 (source: Evans Data Corporation: Global Developer Population and Demographic Study 2014).

1) Gartner, Market Trends: Application Development Software Worldwide, 2012–2016 2) Evans Data Corporation: Global Developer Population and Demographic Study 2014

Market and segment review

In our industry, competition is quite fragmented. In the implementation of desktop solutions, the market is relatively stable and Qt has a strong position. However, the opportunities for growth in the desktop and mobile market is limited by the limited number of software developers able to licence Qt. The competition in the mobile development market is strong, as there are several free tools available for developing mobile applications only. Qt's benefit in these markets is its cross-platform nature, making it possible to implement the customer's application using the same technology for both workstation and mobile use. The competitive field of embedded systems is open. The biggest pressure in terms of competition is from web technology-using HTML5-based solutions and solutions developed for the needs of individual industries. We stand out with a readymade product that provides our customers with an effective and easily integrated platform.

IoT drives the market

The Internet of Things is revolutionising several industries and the way the devices and systems of the future are designed, with a growing number of intelligent devices connected to each other via networks. The value provided by embedded devices to the user is determined primarily through user experience. Therefore, with the spreading of the Internet of Things, the need for creating good user interfaces will increase in particular. On the other hand, when the same user experience needs to be easily and efficiently brought to every device of the user, this change also drives a growing need for cross-platform development environments like Qt.

The automotive industry is a good example of current technological revolution. Digitalization is strongly guiding the entire industry towards self-steering cars, creates new sharing-based business models and, above all, emphasizes a personalized user experience based on several displays inside the car as well as connections with the user's own mobile devices. The software platform and user interfaces play a significant role in facilitating these. We aim to respond to car manufacturers' needs by cooperating closely with the world's biggest producers. Also other industries associated with means of transport, industrial and building automation and medical devices are undergoing the same technological revolution.

Products and services

We accelerate our customers' product development

With Qt, software companies and equipment manufacturers can create software or user interfaces for desktop and mobile platforms as well as embedded systems and their touchscreens. By using Qt's technology, our customers can focus on improving the customer experience. Visual displays and a smooth user experience are increasingly important success factors with which our customers provide added value to their products and build successful business.

Qt provides software developers with a cross-platform software framework and related tools, including an integrated development environment (IDE) and tools for the visual design of software user interfaces. These tools improve the productivity of our customers' software developers and user interface designers. We help to shorten our customers' product development projects, allowing them to bring their products faster to the market. We launched new versions of the technology in 2017 (Qt 5.8, Qt 5.9 and Qt 5.10) and the new Qt 3D Studio, supporting the design of 3D-based user interfaces in particular.

Qt technology is double-licensed, meaning that it is offered both under an open source code (GPL, LGPLv3) license and a commercial license. Qt technology has a comprehensive ecosystem comprising our corporate partner network and an extensive global network of software developers. In addition to our in-house employees, a large group of open source code developers – other companies, associations and individual developers –take part in developing the core technology.

Using open source code is a growing trend in the software industry. As a double-licensed technology based on open source code, we offer equipment manufacturers a genuinely independent and reliable solution for creating users' software platforms. Car or smart TV manufacturers, for example, can create entertainment systems with Qt, allowing importing external content and applications so that the user data collected by the device is kept by the equipment manufacturer. This is an important competitive advantage for us alongside large application ecosystems.

We also provide our customers with consulting services with which our customers' projects are implemented as efficiently as possible. We support our customers in their technology choices and the adoption of Qt according to their needs. Our consulting service is provided by a professionally skilled team of top developers with wide experience, offering extensive Qt expertise for the benefit of our customers.

We have engineers and designers working very closely together.

We want something that the customer later enjoys using, and building this up together with these teams as one, that's amazing. Qt helps us, actually, on all of these fields, because you can achieve very high performance, high frame rate, which is important for a good user experience, and very nice graphics at the same time.

Alex Hilliger
Senior Manager,
Advanced graphics and rendering
Daimler

Personnel and culture

Developing the culture together

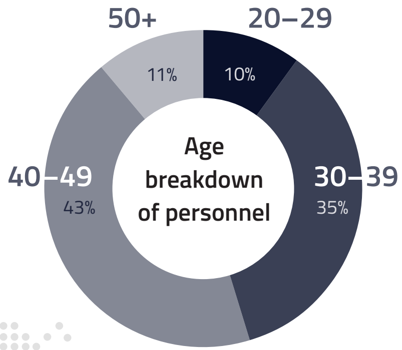
Strengthening and developing the corporate culture has risen to a prominent role as the company has grown and diversified further, and we launched several development projects around it. We established a global team covering different functions to innovate and share operating methods and objectives that would make it possible to develop our culture in the desired direction globally. We focused on specifying and developing the HR processes. We also began to create career frameworks to support the development of our employees' skills and their career development.

Number of employees is increasing

We appreciate the individual differences of employees and understand that a diversity in background, skills, competence and perspectives is beneficial for our business,

Geographical distribution of personnel

Personnel in an employment relationship, on average 1-12/2017
Numbers presented in the brackets are from 2016



because it helps us to understand the different global markets in which we operate. We aim to promote this diversity through HR practices and in all Qt functions.

The number of employees at the end of 2017 was 276 (220), and the employees worked in 10 countries. The average age of employees in 2017 was 39.5 years. New recruitments mainly focused on supporting growth, i.e. on sales and functions supporting sales.

The Group's personnel expenses amounted to EUR 27 million (EUR 23 million), up 17.3 per cent year-on-year.

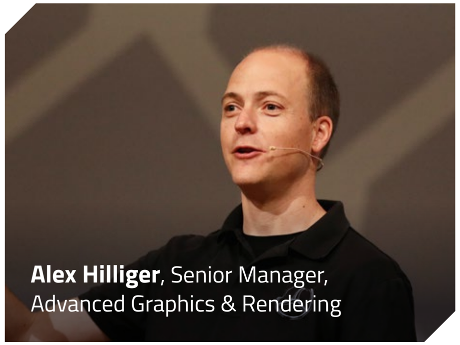
Qt World Summit 2017

Qt World Summit is our most important stakeholder event, where Qt users and developers around the world meet each other and hear about the latest trends.

The Opening Day Customer Keynotes Berlin, Germany

Daimler

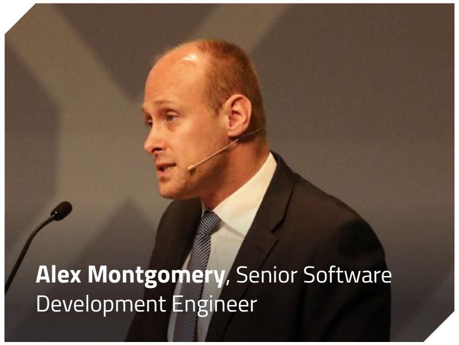
Behind the scenes of a show car:
Rapid UI/UX prototyping and production



Alex Hilliger, Senior Manager, Advanced Graphics & Rendering

Amazon Games

Game Engine Evolution:
From Tech to UX



Alex Montgomery, Senior Software Development Engineer

Quantitative Imaging Systems

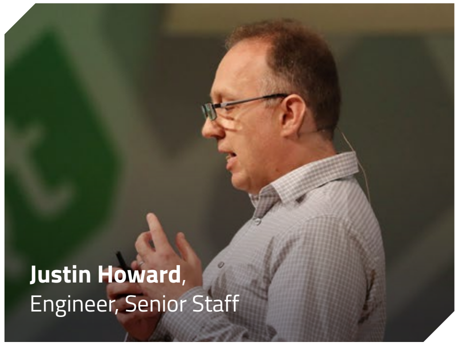
Imaging Tissue Architecture:
The Next Frontier in Battling Cancer

Michel Nederlof
CEO

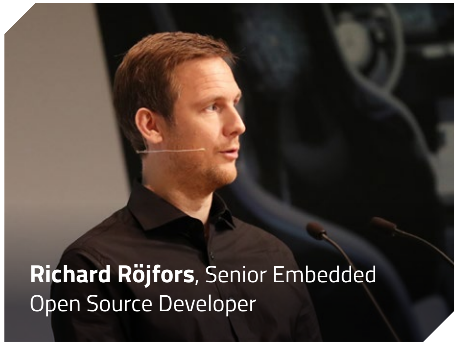
Qt World Summit 2017

The Opening Day Customer Keynotes Berlin, Germany

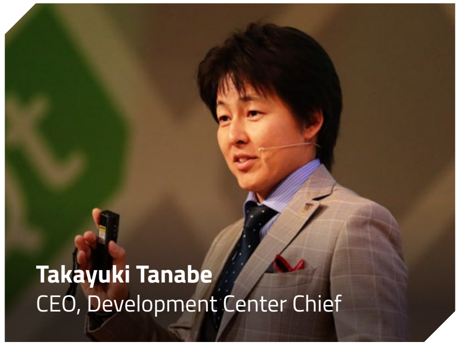
Qualcomm
An IDE for Embedded Devices


Justin Howard, Engineer, Senior Staff

Hasselblad
Using Qt to Build Next Generation Intuitive High End Cameras


Richard Röjfors, Senior Embedded Open Source Developer

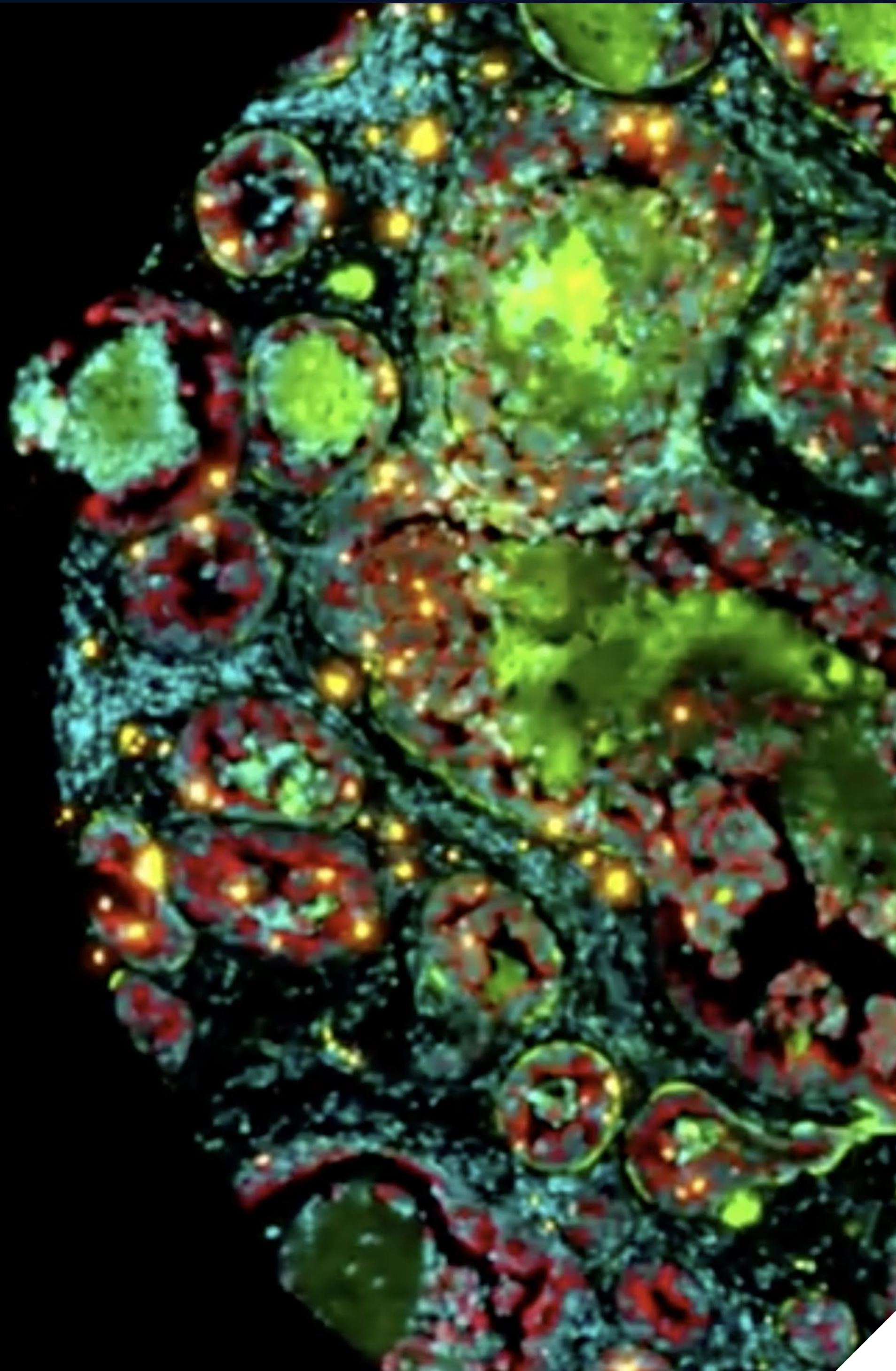
Panasonic ITS
Future of Vehicle HMI Systems

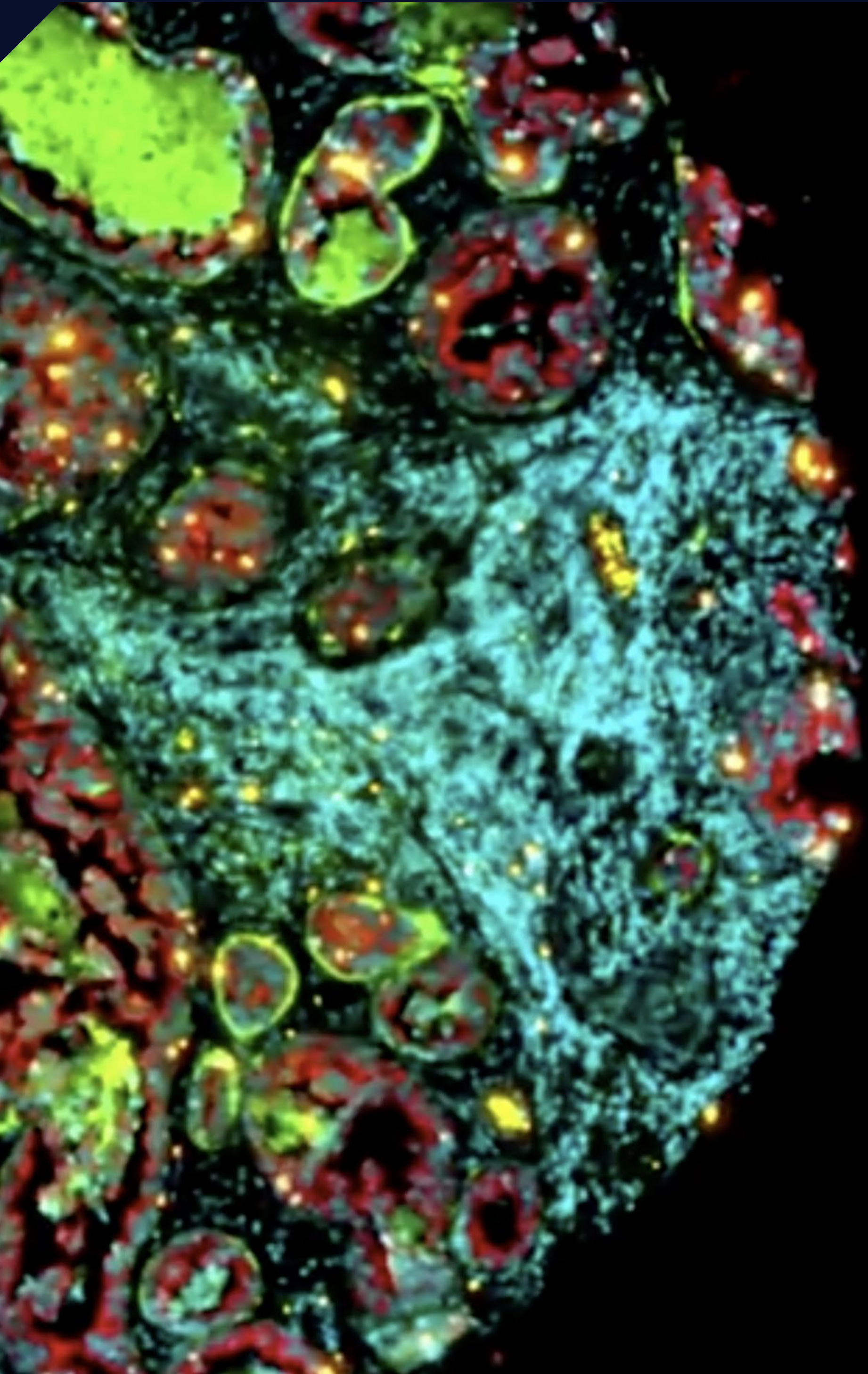

Takayuki Tanabe CEO, Development Center Chief

Qt provides a large ecosystem with a number of things that have saved us an enormous amount of time,

so that we can focus better on solving cancer rather than solving software problems. We were able to create novel solutions that were not available before, to help fight cancer and ultimately to save lives.

Michel Nederlof
CEO
Quantitative Imaging Systems





Together with KDAB and Qi, we have built an imaging software to help researchers understand the progression of cancer.

To fuel this research, we launched the nanoQuill non-profit project, a free coloring book and mobile app. Every image you color and upload to the gallery helps Qi measure a cell's detail and train new deep learning algorithms. This will help us understand and identify cancer cells better and eventually find more efficient ways to fight the disease. We are incredibly proud to be a part of this project. We wish it will give joy to you and hope for everyone whose lives are affected by cancer.

www.nanoquill.org / www.kdab.com / www.qi-tissue.com

Katja Kumpulainen
Senior Vice President,
Marketing
The Qt Company

Board of Directors' Report

Fiscal year 2017

- Net sales increased by 11.9 per cent to EUR 36,259 thousand (32,395) *. At comparable exchange rates, net sales increased by 13.4 per cent.
- The operating result was EUR -3,206 thousand (-1,736).
- The operating margin (EBIT %) was -8.8 per cent (-5.4%).
- Earnings per share were EUR -0.14 (-0.08).

* the figures in brackets refer to the comparison period, i.e. the corresponding period in the previous year.
This financial statement bulletin was prepared in compliance with IAS 34 Interim Financial Reporting.

Business

Qt is responsible for Qt development, productization and licensing under commercial and open source licenses. Qt technology is used globally by over one million software developers. Qt is used for developing cross-platform applications and graphic user interfaces for desktops, embedded systems and mobile devices. Qt technology is used in over 70 different industries and in millions of devices and applications, including consumer electronics, vehicles, airplanes and industrial automation applications. Qt has operating locations in Finland, Norway, Germany, the United States, Russia, China, Japan and South Korea.

Financial year 2017

Net sales

Qt's net sales for 2017 amounted to EUR 36,259 thousand (32,395), up by 11.9 per cent. License sales and consulting grew by 9.3 per cent and support and maintenance by 16.8 per cent. At comparable exchange rates, net sales for the entire year increased by 13.4 per cent.

Qt's net sales for the fourth quarter amounted to EUR 10,108 thousand (EUR 8,845 thousand), up 14.3 per cent. License sales and consulting grew by 14.6 per cent and support and maintenance by 13.6 per cent. At comparable exchange rates, net sales during the fourth quarter increased by 20.7 per cent.

Profit performance

Qt's operating result for October–December 2017 was EUR -701 thousand (EUR -305 thousand). The operating result for the financial year amounted to EUR -3,206 thousand (EUR -1,736 thousand).

The other operating income for the fiscal year includes income gained from events organized by the company, as well as tax-free research and development investment grants received by the company in Norway, totaling approximately EUR 389 thousand. The grants concern the applicable personnel expenses related to the research and development activities of Qt's Norwegian company, and they were paid to the company in the second half of 2017.

The company's operating expenses, including materials and services, personnel expenses, depreciation and other operating expenses, amounted to EUR 11,387 thousand (EUR 9,625 thousand) in the fourth quarter, up 18.3 per cent compared to the same period in the previous year. Personnel expenses accounted for 63.4 per cent (60.1%) of operating expenses, or EUR 7,214 thousand (EUR 5,787 thousand).

The company's net financial expenses in the fourth quarter amounted to EUR 134 thousand (EUR 90 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 -835 thousand (EUR -395 thousand) and the result was EUR -731 thousand (EUR -153 thousand). Taxes for the review period amounted to EUR 104 thousand positive (EUR 242 thousand), which was due to deferred tax assets recognized for losses.

Earnings per share totaled EUR -0.03 during the fourth quarter (EUR -0.01).

Financing and investments

Cash flow from operating activities was EUR -2,939 thousand (EUR -1,385 thousand) in the first half of the year due to growth investments and subsequent loss-making operating result.

The subscription period for the rights offering resolved on by the Board of Directors of Qt Group Plc on 14 March 2017 ended on 5 April 2017, and the company announced the result of the offering in a stock exchange release on 12 April 2017. The company raised gross proceeds of approximately EUR 15.3 million from the rights offering. A loan of EUR 6.0 million, granted by Ilmarinen Mutual Pension Insurance Company, was repaid in full in May 2017.

Qt's cash and cash equivalents totaled EUR 11,693 thousand (EUR 6,420 thousand) at the end of the fiscal year.

Qt Group's consolidated balance sheet total at the end of the fiscal year stood at EUR 37,485 thousand (EUR 29,443 thousand). Net cash flow from investments during the fiscal year was EUR -384 thousand (EUR -374 thousand).

The equity ratio stood at 42.9 per cent (40.0%) and gearing was -54.2 per cent (0.7%). Interest-bearing liabilities amounted to EUR 686 thousand (EUR 6,207 thousand), of which short-term loans accounted for EUR 287 thousand (EUR 6,152 thousand).

The return on investment for the fiscal year was -15.3 per cent (-12.0%) and return on equity was -15.9 per cent (-21.1%).

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 in its balance sheet.

Product development expenses during the fiscal year totaled EUR 8,527 thousand (EUR 8,347 thousand), accounting for 23.5 per cent (25.8%) of operating expenses. Product development expenses increased by 2.2 per cent year-on-year.

At the end of the review period, the company had 111 people (87) employed in product development.

The geographical distribution of personnel:

Personnel	1–12/2017	1–12/2016	Change %
(in an employment relationship, on average)			
Finland	82	64	28%
Rest of Europe & APAC	139	118	18%
North-America	34	27	27%
Group total	**255**	**209**	**22%**

Personnel

The number of Group personnel was 275 (218) on average during the fourth quarter and 276 (220) at the end of the fiscal year. At the end of the fiscal year, international personnel represented 68 per cent (68%) of the total.

Personnel expenses totaled EUR 26,975 thousand (EUR 22,990 thousand) during the fiscal year, up 17.3 per cent.

Share and shareholders

On 31 December 2017, the number of Qt Group Plc shares was 23,792,312 (20,818,273).

According to Euroclear Finland Ltd, the company had 4,006 shareholders on 31 December 2017 (4,031). The company did not receive any flagging notifications during the fiscal year 2017.

The ten largest shareholders on 31 December 2017

Shareholder	Percentage of shares and votes
Ingman Development Oy Ab	21.6%
Ilmarinen Mutual Pension Insurance Company	14.3%
Hallikainen Jyrki Sakari	7.4%
Karvinen Kari Juhani	4.8%
Varma Mutual Pension Insurance Company	4.7%
Savolainen Matti Ilmari	3.9%
Aktia Capital Investment Fund	2.6%
Säästöpankki Small Cap Investment Fund	1.6%
Aktia Nordic Small Cap Investment Fund	1.6%
Varelius Juha Pekka	1.1%

Distribution of holdings by number of shares held on 31 December 2017

Number of shares	Shareholders	Percentage of shares and votes
1–100	22.2%	0.2%
101–1,000	56.2%	3.6%
1,001–10,000	18.8%	8.2%
10,001–100,000	2.0%	10.1%
100,001–1,000,000	0.6%	25.2%
1,000,001–9,999,999	0.1%	52.8%

Shareholding by sector on 31 December 2017

Number of shares	Shareholders	Shares
Non-financial corporations	4.1%	27.7%
Financial and insurance corporations	0.6%	12.5%
General government	0.1%	18.9%
Not-for-profit institutions serving households	0.2%	0.3%
Households	94.5%	38.6%
Foreign holding	0.5%	0.6%

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

Share price and trading

Qt Group Plc's share (trading code: QTCOM) is traded on the Nasdaq Helsinki stock exchange. A total of 2,031,554 shares changed hands during the reporting period. This accounts for 8.5 per cent of the total number of shares. The volume-weighted average price of the share was EUR 6.38, with the lowest price being EUR 5.13 (21 December 2017) and the highest price EUR 7.58 (13 April 2017). The closing price at the end of December was EUR 5.21 per share, and Qt Group's market capitalization was EUR 124.0 million.

Governance

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

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

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

The Annual General Meeting of 14 March 2017 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 AGM 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 14 September 2018, 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 rights issue

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

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

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

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

The AGM 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 as well as the transfer of treasury shares. 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 14 September 2018, and it does not replace any earlier authorizations on share issues and the granting of special rights. The authorization does not replace any earlier authorizations on share issues and the granting of special rights.

Resolutions based on the authorization

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

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

In its stock exchange release from 27 September 2017, the company announced that the programme involving the issue of a maximum of 2,000,000 stock option rights to key personnel of the company, approved at its meeting on 22 June 2016, will be continued so that the still existing 480,000 options will be issued the key personnel according the conditions of the option programme. At the same time, the Board of Directors of the company decided to issue a total of 52,348 option rights from the above-mentioned amount gratuitously to those key personnel who had previously been granted option rights based on the option programme. These additional options were issued as an offering correction due to the fact that the share issue approved by the board on 14 March 2017 increased the number of company shares by 2,974,039 and the board did not want this change to affect the value of the options already granted to those who received them.

Corporate Governance Statement

In accordance with the Corporate Governance Code, Qt Group Plc has published a separate Corporate Governance Statement on its website as stipulated in the Finnish Securities Markets Act (746/2012), chapter 7, section 7. Statement has been issued as a separate report from the Report of the Board of Directors.

Risks and uncertainties

The company's short-term risks and uncertainties are related to potential significant changes in the company's business operations as well as the retention and recruitment of the personnel required for business development.

Exchange rate fluctuations, particularly between the US dollar and euro, may have a large impact on the development of the company's net sales. Another factor contributing to considerable fluctuation in quarterly net sales and profitability in particular is contract turnaround times which, in the major customer segment, are very long at up to 18 months.

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

Group structure

The business of Qt Group Plc is operated under the subsidiary The Qt Company Oy in Finland which has subsidiaries in Norway, Germany, USA, Russia, China and South-Korea as well as branch office 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 foundation of the company's business is the stable market for platform-independent desktop applications, which the company will continue to support by offering customers new versions of Qt and innovations related to 3D technology, for example. Growth potential on the desktop application side is, however, constrained by the limited number of software developers.

The company aims to achieve net sales growth by developing and expanding its sales and product offering, particularly in selected industries that create embedded systems, such as the auto industry, household and industrial automation and device manufacturing for the medical industry. Because many device manufacturers use desktop applications as part of their overall systems for purposes such as device visualization, this part of the company's product offering will also continue to be an important part of the comprehensive solutions the company offers its customers. The company's earnings model in the embedded systems market is based on the number of devices developed using Qt, which means that the future growth potential in this market is significantly greater than in the desktop applications market. In order to support this, the focus of the company's product development is targeted towards the development value-adding features of embedded systems required for the above-mentioned industries, as well as on innovating development tools.

Sales growth associated with embedded systems will also reflect on the earnings logic. Volume-based license revenue from these sales accumulates over the long term. Consequently, the company anticipates no major impact from embedded systems sales growth on consolidated net sales in 2018.

Outlook 2018

The company estimates the growth of its net sales to pick up speed in 2018 with over 15 per cent growth at comparable exchange rates from the previous year. Due to investments in line with its growth strategy, the company's operating result will show a substantial loss also in 2018, as was expected based on prior forecasts.

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 31 December 2017.

Consolidated key figures

EUR thousand	1–12/2017	carve out 1–12/2016
Net sales	36,259	32,395
Operating profit	-3,206	-1,736
- % of net sales	-8.80%	-5.40%
Net profit	-3,222	-1,747
- % of net sales	-8.90%	-5.40%
Return on equity %	-15.90%	-21.10%
Return on investment %	-15.30%	-12.00%
Interest-bearing liabilities	686	6,207
Cash and cash equivalents	11,693	6,420
Net gearing %	-54.2%	0.70%
Equity ratio %	42.90%	40.00%
Earnings per share, EUR	-0.14	-0.08

Calculation formulas for key figures

Return on equity

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

Return on investment:

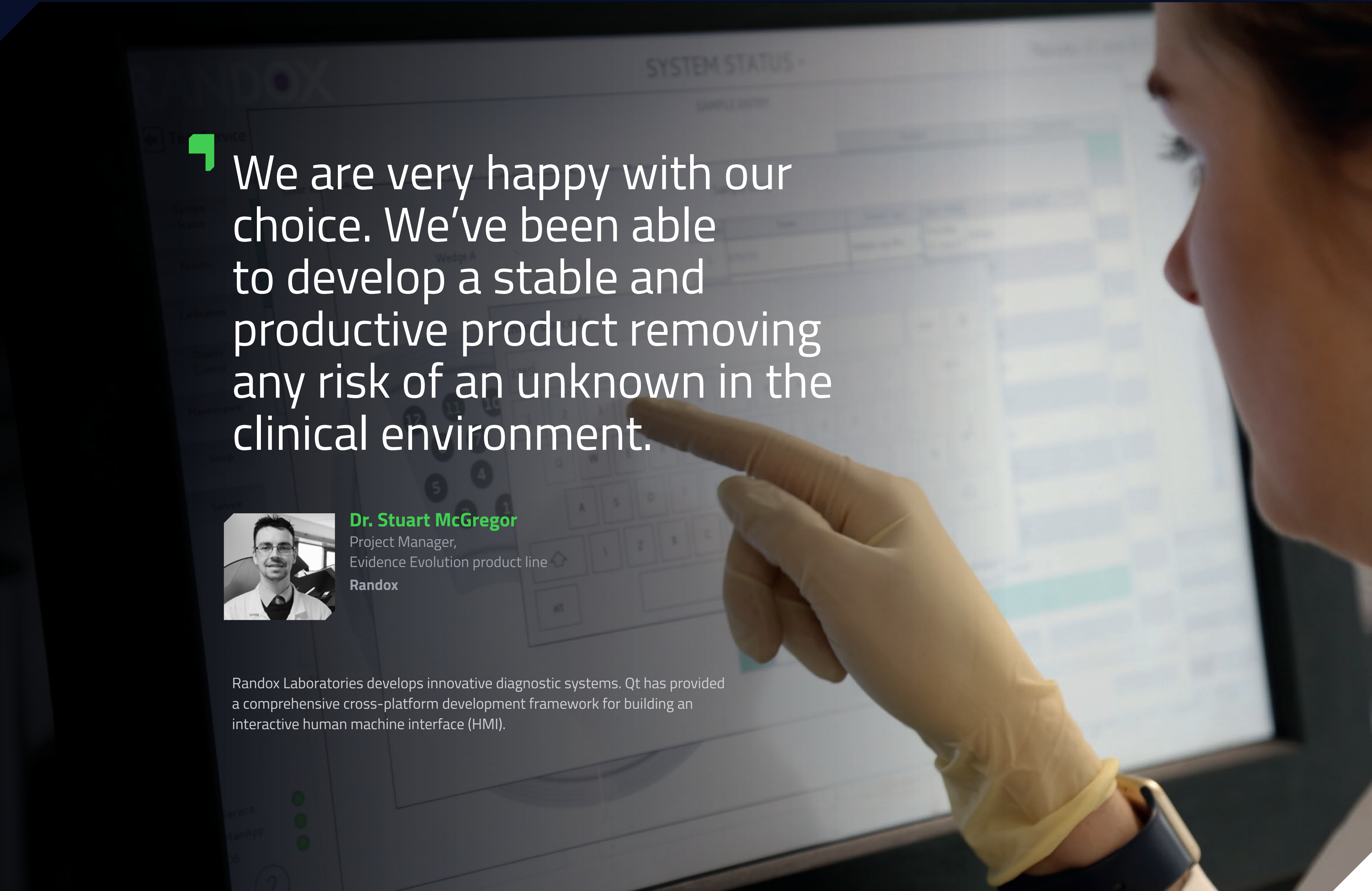
$$\frac{\text{(Profit/loss before taxes + interest and other financing costs)}}{\text{Balance sheet total – non-interest bearing liabilities (average)}} \times 100$$

Gearing

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

Equity ratio

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



We are very happy with our choice. We've been able to develop a stable and productive product removing any risk of an unknown in the clinical environment.

Dr. Stuart McGregor
Project Manager,
Evidence Evolution product line
Randox

Randox Laboratories develops innovative diagnostic systems. Qt has provided a comprehensive cross-platform development framework for building an interactive human machine interface (HMI).

Financial statements 2017

Consolidated income statement

EUR thousand	Notes	1.1.–31.12. 2017	carve-out 1.1.–31.12. 2016
Net sales	2	**36,259**	**32,395**
Other operating income	3	1,128	528
Materials and services	4	-1,130	-2,313
Personnel expenses	5, 18, 22	-26,975	-22,990
Depreciation, amortisation and impairment	7	-914	-866
Other operating expenses	8	-11,574	-8,489
Operating result		**-3,206**	**-1,736**
Financial income	9	764	529
Financial expenses	9	-1,252	-1,071
Earnings before tax		**-3,694**	**-2,277**
Income taxes	10	472	530
Net profit		**-3,222**	**-1,747**
Distribution of comprehensive income:			
Parent company shareholders		-3,222	-1,747
Net profit attributable to parent company shareholders, earnings per share			
Undiluted earnings per share (EUR/share)	11	-0.14	-0.08

Consolidated statement of comprehensive income

EUR thousand	Notes	1.1.–31.12. 2017	carve-out 1.1.–31.12. 2016
Other comprehensive income			
Items which may be reclassified subsequently to profit or loss:			
Translation difference		-88	28
Total comprehensive income		**-3,310**	**-1,720**
Distribution of comprehensive income:			
Parent company shareholders		-3,310	-1,720

Consolidated statement of financial position

Assets

EUR thousand	Notes	31.12.2017	31.12.2016
Non-current assets			
Goodwill	12	6,562	6,562
Other intangible assets	12	4,995	5,360
Tangible assets	13	1,082	567
Long-term receivables		157	37
Deferred tax assets	14	2,049	915
Total non-current assets		**14,845**	**13,441**
Current assets			
Trade receivables	15	7,829	7,741
Other receivables	15	3,117	1,841
Cash and cash equivalents	16	11,693	6,420
Total current assets		**22,639**	**16,002**
Total assets		**37,485**	**29,443**

Equity and liabilities

EUR thousand	Notes	31.12.2017	31.12.2016
Shareholders' equity			
Share capital	17	500	500
Unrestricted shareholders' equity reserve	17	23,651	8,720
Translation difference	17	545	633
Retained earnings	17, 18	-1,165	160
Net profit		-3,222	-1,747
Total shareholders' equity		**20,308**	**8,265**
Long-term liabilities			
Deferred tax liabilities	14	317	293
Long-term interest-bearing liabilities	20	399	55
Other long-term liabilities	19	753	461
Total long-term liabilities		**1,469**	**809**
Short-term liabilities			
Short-term interest-bearing liabilities	19, 20	287	6,152
Accounts payable	19	1,375	774
Other short-term liabilities	19	14,046	13,443
Total short-term liabilities		**15,707**	**20,369**
Total liabilities		**17,176**	**21,178**
Shareholders' equity and liabilities		**37,485**	**29,443**

Consolidated cash flow statement

EUR thousand	1.1.–31.12.2017	carve-out 1.1.–31.12.2016
Profit before taxes	**-3,694**	**-2,277**
Adjustments to net profit		
Depreciation and amortisation	700	695
Other adjustments	910	754
Change in working capital		
Change in trade and other receivables	-1,456	-1,373
Change in accounts payable and other liabilities	1,118	1,621
Interest paid	-204	-513
Other financial items	55	-28
Taxes paid	-368	-263
Cash flow from operations	**-2,939**	**-1,385**
Purchases of tangible and intangible assets	-384	-374
Cash flow from investments	**-384**	**-374**
Repayments of current loans	-6,000	-346
Withdrawals of non-current loans		6,000
Repayments of non-current loans		-1,188
Rights offering	14,931	0
Cash flow from financing	**8,931**	**4,466**
Change in cash and cash equivalents	**5,608**	**2,707**
Cash and cash equivalents at beginning of period	**6,420**	**3,577**
Net foreign exchange difference	-335	136
Cash and cash equivalents at end of period	**11,693**	**6,420**

Consolidated statement of changes in shareholders' equity

EUR thousand	Invested equity and retained earnings equity	Share capital	Unrestricted shareholders' equity reserve	Translation difference	Retained earnings	Total shareholders' equity
Shareholders' equity 1.1.2016	**8,314**	**0**	**0**	**605**	**0**	**8,919**
Comprehensive income for the period 1–4/2016						
Net profit	526					526
Comprehensive income		0		97		97
Demerger-related transactions	855					855
Demerger 30 April 2016	-9,694	500	8,720		474	0
Shareholders' equity 1 May 2016	**0**	**500**	**8,720**	**702**	**474**	**10,396**
Comprehensive income for the period 5–12/2016						
Net profit					-2,273	-2,273
Stock option programme					211	211
Comprehensive income				-69		-69
Shareholders' equity 31 December 2016	**0**	**500**	**8,720**	**633**	**-1,588**	**8,265**
Shareholders' equity 1 January 2017	**0**	**500**	**8,720**	**633**	**-1,588**	**8,265**
Comprehensive income for the period						
Net profit					-3,222	-3,222
Stock option programme					422	422
Comprehensive income				-88		-88
Rights offering			14,931			14,931
Shareholders' equity 31 December 2017	**0**	**500**	**23,651**	**545**	**-4,388**	**20,308**

Shareholders' equity information prior to the demerger (1 May 2016) are based on carve-out figures.

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, productisation 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 and South Korea. 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 276 employees at the end of 2017.

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 D3A, 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

Qt Group Plc was established by the partial demerger of Digia Plc on 1 May 2016, which saw Digia's Qt business transferred to a new parent company. Hence, some of the comparison data are based on carve-out financial information.

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 2017.

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.

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, unrealised 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.

Qt Group has applied the amendments to standards and interpretations applicable to the Group which entered into force during the financial year. The amendments have not had a material impact on the result for the financial year, financial position or presentation of the financial statements.

Foreign currency translation

Items referring to the earnings and financial position of the Group's units are recognised 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 recognised 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 recognised in accordance with the factual substance of the agreement. Income recognition requires a binding contract and complete delivery of the product. Income is recognised 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.

IFRS amendments

Qt Group has not yet applied the following new or revised standards and interpretations published by the IASB. The Group will adopt them as of the effective date or, if the date is other than the first day of the financial year, from the beginning of the subsequent financial year.

IFRS 9 Financial Instruments (effective for financial years beginning on or after 1 January 2018): IFRS 9 replaces the existing guidance in IAS 39. The new standard includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Group has investigated the impacts of IFRS 9, and the most significant change concerns the recognition of credit losses associated with trade receivables using the life cycle model. It is estimated that the adjustments to shareholders' equity and trade receivables due to the adoption of the standard are not significant in value. Other figures for the comparison period will not be adjusted.

IFRS 15 Revenue from Contracts with Customers (effective for financial years beginning on or after 1 January 2018): The new standard replaces current IAS 18 and IAS 11 standards and related interpretations. In IFRS 15, a five-step model is applied to determine when to recognise revenue, and at what amount. Revenue is recognised when (or as) a company transfers control of goods or services to a customer either over time or at a point in time. The standard also introduces extensive new disclosure requirements. The impacts of IFRS 15 on Qt Group's consolidated financial statements have been assessed as follows:

The essential concepts in IFRS 15 have been analysed with respect to revenue streams. The Group's revenue streams consist of licences, maintenance and consulting. According to the report and documentation compiled as a result, the new standard makes some specifications to the calculation rules, but no changes to the results for the past year have been observed. The application of IFRS 15 will, therefore, not have a material effect on Qt Group's financial statements.

IFRS 16 Leases (effective for financial years beginning on or after 1 January 2019). The new standard replaces the current IAS 17 standard and related interpretations. IFRS 16 requires the lessees to recognise the lease agreements on the balance sheet as right-of-use assets and lease liabilities. The accounting model is similar to current finance lease accounting according to IAS 17. There are two exceptions available, these relate to either short-term contracts in which the lease term is 12 months or less, or assets of value USD 5,000 or less. The accounting of lessors will largely remain in accordance with the current IAS 17.

Qt Group has commenced a preliminary assessment of the impacts of IFRS 16 on financial statements. The most considerable identified impact is that Qt Group will recognise new assets and liabilities on its balance sheet, mainly business premises and vehicles included currently in other leases. In addition, the nature of expenses associated with said leases will change as IFRS 16 replaces rental expense with depreciation and interest expense arising from lease liability, reported as part of financial expenses. Qt Group will prepare a more detailed estimate of the impacts of the standard and the transition method during the 2018 financial year.

Other standards or interpretations entering into force in 2018 are not considered to have a material impact on the Group's result for the financial year, financial position or presentation of financial statements.

1. ACQUIRED AND SOLD BUSINESSES

Businesses acquired in 2017
No acquisitions were made during the financial year 2017.

Businesses acquired in 2016
No acquisitions were made during the financial year 2016.

2. NET SALES BREAKDOWN

Revenue recognition principles
License revenue is recognised 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. Depending on the type of license, income is recognised based on the time of delivery. Licence 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	2017 Net Sales	2016 Net Sales
Licence sales and consulting	23,030	21,073
Maintenance revenue	13,230	11,322
Total net sales	**36,259**	**32,395**

EUR thousand	2017 Net Sales	2017 Non-current assets *	2016 Net Sales	2016 Non-current assets *
Finland	216	12,233	257	12,267
Rest of Europe and APAC	21,038	426	18,811	171
North America	15,006	138	13,327	89
Total net sales	**36,259**	**12,797**	**32,395**	**12,527**

* 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.

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 organised events.

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

Public grants are recognised 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	2017	2016
Grants	389	0
Other income	739	528
Total	**1,128**	**528**

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	2017	2016
Purchases during the period	0	34
External services	1,130	2,279
Total	**1,130**	**2,313**

External services are mainly comprised of outsourcing services and subcontracting.

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 recognised 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	2017	2016
Wages and salaries	22,942	18,763
Pension costs (defined contribution plans)	1,744	1,589
Share-based incentive schemes/Share-based payments	422	1,130
Other personnel expenses	1,866	1,509
Total	**26,975**	**22,990**

Group's personnel on average	2017	2016
Finland	82	64
Europe & APAC	139	118
North America	34	27
Total	**255**	**209**

Information on share-based payments and incentive plans is presented in Note 18 Share-based payments.

6. RESEARCH AND DEVELOPMENT COSTS

Research expenses are expensed through profit or loss for the period during which they occur. Development expenses are capitalised only if the Group meets the requirements of IAS 38 for the capitalisation of development expenses. Capitalised 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. Capitalised development expenses are measured at cost less accumulated depreciation and impairment after the initial recognition. Other development expenses are recognised as expenses. The Group did not have capitalised development costs on 31 December 2017.

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

EUR thousand	2017	2016
Research and development costs	8,527	8,347
Total	**8,527**	**8,347**

7. DEPRECIATION AND AMORTISATION

EUR thousand	2017	2016
Depreciation and amortisation by asset category		
Intangible assets		
Software and licences	102	129
Intellectual property rights	414	419
Property, plant and equipment		
Machinery and equipment	398	318
Total depreciation, amortisation and impairment	**914**	**866**

No impairment of tangible or intangible assets was recognised during the financial year 2017 or the comparison period in 2016.

No regular amortisation 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.

8. OTHER OPERATING EXPENSES

EUR thousand	2017	2016
Personnel expenses	962	679
Travel and representation expenses	1,809	1,345
Marketing and communications	1,884	725
External services	2,178	1,752
Costs of premises	2,110	1,551
IT expenses	2,100	1,988
Other expenses	531	450
Total	**11,574**	**8,489**

Auditors' fees		
Audit	44	35
Tax counselling		38
Other services	88	2
Total	**132**	**75**

The Group's auditor for 2016 and 2017 was KPMG Oy Ab.

During financial year 2017, services that were rendered by KPMG Oy Ab to the Qt Group companies and that were not related to auditing amounted to EUR 88 thousand. These services were comprised of auditor's opinions (EUR 21 thousand) and other services (EUR 67 thousand).

9. FINANCIAL INCOME AND EXPENSES

Financial income **EUR thousand**	2017	2016
Exchange rate gains	760	526
Other financial income	4	4
Total	**764**	**529**

Financial expenses **EUR thousand**	2017	2016
Interest expenses for loans from financial institutions	204	510
Exchange rate losses	1,020	510
Other financial expenses	28	51
Total	**1,252**	**1,071**

During the financial year 2017, loans from financial institutions were covered with income generated by a rights issue.

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 recognised 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 recognised 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 recognised through profit or loss, except when they are associated with business combinations or items recognised 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	2017	2016
Taxes for the period	353	222
Taxes for previous periods	54	-170
Other items	230	211
Deferred tax	-1,109	-793
Total	**-472**	**-530**
Reconciliation of tax expenses with the tax rate of the Group's home country (20%)		
Earnings before tax	-3,694	-2,277
Taxes calculated at the parent company's tax rate	-739	-455
Effect of deviating tax rates of foreign subsidiaries	132	102
Income not subject to tax	-261	-168
Non-deductible expenses and other differences	98	66
Other items	211	96
Taxes for previous periods	87	-170
Total	**-472**	**-530**
Effective tax rate	13%	23%

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.

	2017	2016
Net profit attributable to parent company shareholders (EUR thousand)	-3,222	-1,747
Weighted average number of shares during the financial period, 1,000 shares	23,049	20,818
Undiluted earnings per share (EUR/share)	-0.14	-0.08

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

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 recognised at the original cost less accumulated impairment losses. No regular amortisation 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 capitalised only if the Group meets the requirements of IAS 38 for the capitalisation of development costs. Capitalised development costs are depreciated over their useful lives. Capitalised development costs are measured at cost less accumulated depreciation and impairment after the initial recognition. Other development costs are recognised as expenses. The Group did not have capitalised development costs on 31 December 2017.

Other intangible assets
An intangible asset is recognised 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 form the asset will flow to the Group. Intangible assets with a limited useful life are recognised 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 licences	3–8 years
Intellectual property rights	3–8 years

Intangible assets 2017

EUR thousand	Goodwill	Other intangible assets	Total
Acquisition cost, 1 January	6,562	8,302	14,864
Translation differences and other adjustments	0	-2	-2
Additions	0	162	162
Acquisition cost, 31 December	**6,562**	**8,462**	**15,024**
Accumulated depreciation and impairment, 1 January	0	-2,941	-2,941
Translation differences and other adjustments	0	-10	-10
Depreciation for the period	0	-516	-516
Accumulated depreciation and impairment, 31 December	**0**	**-3,466**	**-3,466**
Book value, 1 January	**6,562**	**5,361**	**11,923**
Book value, 31 December	**6,562**	**4,995**	**11,557**

Intangible assets 2016

EUR thousand	Goodwill	Other intangible assets	Total
Acquisition cost, 1 January	6,562	8,220	14,782
Translation differences and other adjustments	0	34	34
Additions	0	48	48
Acquisition cost, 31 December	**6,562**	**8,302**	**14,864**
Accumulated depreciation and impairment, 1 January	0	-2,376	-2,376
Translation differences and other adjustments	0	-17	-17
Depreciation for the period	0	-548	-548
Accumulated depreciation and impairment, 31 December	**0**	**-2,941**	**-2,941**
Book value, 1 January	**6,562**	**5,844**	**12,406**
Book value, 31 December	**6,562**	**5,361**	**11,923**

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 recognised in the income statement. An impairment loss recognised 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 below show the distribution of goodwill and values subject to testing at the end of the reporting period.

Impairment testing in 2017

EUR thousand	Identified intangible assets	Goodwill	Other items	Total value subject to testing
	4,814	**6,562**	**2,884**	**14,260**

During the 2017 financial period, identified intangible assets were depreciated by EUR 414,000.

Based on the impairment testing calculations by the management, no need for recognising impairment losses was found during the 2017 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 2018 according to budget. Over the five-year forecast period, the average annual growth in net sales is 21.2 per cent and terminal period growth is 1 per cent thereafter, operating profit 15.7 per cent and a pre-tax discount rate 12.4 per cent.

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 10 per cent over the five-year forecast period, even if the costs for 2018 were allowed to grow according to the budget and moderately even after that with profitability being 5.1 per cent at the end of the forecast period.

Impairment testing in 2016

EUR thousand	Identified intangible assets	Goodwill	Other items	Total value subject to testing
	5,228	**6,562**	**2,319**	**14,109**

During the 2016 financial period, identified intangible assets were depreciated by EUR 419,000.

Based on impairment testing by the management, no need for recognising impairment losses was found during the 2016 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 2017 according to budget, in the five-year forecast period, average annual growth in net sales of 20.2 per cent and "terminal period" growth 1 per cent thereafter, operating profit 15.8 per cent and a pre-tax discount rate of 12.4 per cent.

Based on sensitivity analyses, the company's management considers it improbable that a change in the key parameters used in the testing (growth in net sales, total expenses, interest rates) would result in a situation in which the value of the tested asset exceeded the recoverable amount. Based on the sensitivity analysis made, the amount of Qt Group's tested assets requires an average growth of 10 per cent over the five-year forecast period, even if the costs for 2017 were allowed to grow according to the budget and moderately even after that with profitability being 6.2 per cent at the end of the forecast period.

13. TANGIBLE ASSETS

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

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 derecognised 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 recognised through profit or loss and included either in other operating income or expenses for the period in which they emerge. .

EUR thousand	Machinery and equipment 2017	Machinery and equipment 2016
Acquisition cost, 1 January	1,573	1,089
Translation differences and other adjustments	-5	39
Increases	909	447
Disposals		-2
Acquisition cost, 31 December	**2,477**	**1,573**
Accumulated depreciation and impairment, 1 January	-1,005	-673
Translation differences and other adjustments	9	-14
Depreciation for the period	-398	-318
Accumulated depreciation and impairment, 31 December	**-1,394**	**-1,005**
Book value, 1 January	**568**	**416**
Book value, 31 December	**1,083**	**568**

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

EUR thousand	Machinery and equipment 2017	Machinery and equipment 2016
Acquisition cost and increases	1 394	724
Accumulated depreciation	-735	-520
Book value, 31 December	**659**	**204**

14. DEFERRED TAX ASSETS AND LIABILITIES

Changes in deferred tax during 2017:

EUR thousand	1.1.2017	Recognised in the income statement	31.12.2017
Deferred tax assets:			
Confirmed losses	843	1,140	1,983
Other items	72	-6	66
Total	**915**	**1,134**	**2,049**
Deferred tax liabilities:			
From allocation of the fair values of acquisitions	253	58	311
Other items	40	-34	6
Total	**293**	**24**	**317**

Changes in deferred tax during 2016:

EUR thousand	1.1.2016	Recognised in the income statement	31.12.2016
Deferred tax assets:			
Confirmed losses	0	843	843
Other items	24	48	72
Total	**24**	**891**	**915**
Deferred tax liabilities:			
Allocation of the fair values of acquisitions	195	58	253
Other items	0	40	40
Total	**195**	**98**	**293**

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, 2017 were EUR 1,983 thousand (843), and they were related to confirmed losses that will expire in 2027–2028.

15. TRADE AND OTHER RECEIVABLES

EUR thousand	2017	2016
Trade receivables	7,829	7,741
Lease security deposits	189	108
Accrued income	1,605	1,043
VAT receivable	726	145
Other receivables	596	545
Total	**10,947**	**9,582**

EUR thousand	2017	2016
Undue trade receivables	5,174	4,247
Trade receivables 1–30 days overdue	1,130	1,265
Trade receivables 31–60 days overdue	839	416
Trade receivables over 60 days overdue	687	1,813
Total	**7,829**	**7,741**

The Group has recognised a credit loss provision of EUR 305,000 in trade receivables in the 2017 financial statements (2016: EUR 186,000). The carrying amount of the trade receivables is a moderate estimate of their fair value.

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	2017	2016
Bank accounts	11,693	6,420
Total	**11,693**	**6,420**

17. NOTES TO SHAREHOLDERS' EQUITY

	Number of shares	Share capital (EUR thousand)
1 January 2017	20,818,273	500
Rights offering	2,974,039	0
31 December 2017	23,792,312	500

Share capital and number of shares

Qt Group Plc's share capital was EUR 500,000. During the financial year 2017, the Board decided on a rights offering, and the number of shares increased by 2,974,039. After the rights offering, the number of shares totalled 23,792,312.

Translation difference

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

Unrestricted shareholders' equity reserve

Reserve for invested unrestricted equity increased during the financial year as a result of the rights offering. The rights offering was successful and the company raised net proceeds of EUR 14,931,000.

Treasury shares

The company did not hold any treasury shares during the 2017 financial period.

18. SHARE-BASED PAYMENTS

The Group has a share-based incentive scheme where payments are made in equity instruments. The stock option programme 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 recognised 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.

Option programme 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.

The share subscription period for the stock options shall be 19 December 2019–31 December 2022. 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 OMX Helsinki Ltd is at least five euros and eighty-five cents (EUR 5.85) between 18 November 2019 and 13 December 2019.

The share subscription price for the stock options shall be the trade volume weighted average quotation of the company's share between 1 June 2016 and 30 June 2016 and the share subscription price shall, nevertheless, always amount to at least the highest share price quoted on the closing day 22 June 2016 when the stock options have been issued and assigned to the key persons added with one euro cent (EUR 0.01). The share subscription price for the stock options may decline in certain special situations.

	Option programme 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 January 2019–31 December 2022
Vesting conditions	Development of Qt Group Plc's share price
Execution	As shares
Persons (31 December 2017)	17

Share-based incentive scheme 2015–2018 (ended in 2016)

The Board of Directors of Digia Plc decided on 12 March 2015 on establishing new share-based incentive schemes for the company's President and CEO and other members of senior management. Based on the decision, there are separate schemes for Digia's domestic business operations and the Qt business.

	Share-based incentive scheme 2015–2018
Grant date	12 March 2015
Nature of the incentive scheme	Shares and cash
Target group	President and CEO
Share-based remuneration, maximum number of shares	985,000
Earning period begins, date	12 March 2015
Earning period ends, date	12 March 2018
Vesting conditions	Development of Digia Plc's share price
Execution	Shares and cash

The Qt scheme included one earning period ranging until March 2018. The reward pursuant to the scheme was tied to the development of Digia Plc's share price by the end of said earning period. If the price of the share reaches the targets set in the scheme in full, the company's President and other key personnel of the Qt business covered by the scheme will have the right to a reward amounting to a maximum of 985,000 Digia Plc shares at the end of the earning period. The rewards pursuant to the scheme will be paid as a combination of shares and cash so that the cash amount will cover the taxes and other statutory fees resulting from the reward, and the rest of the reward will be paid to the recipient as shares. The Qt scheme additionally included a special condition under which the scheme will expire in case of a demerger of Digia and Qt. Thus, a reward was granted to the persons covered by the scheme based on the share price at the time of the demerger during 2016.

Effect of share-based incentive schemes on the net profit

EUR thousand	2017	2016
Option programme 2016–2019	422	211
Share-based incentive scheme 2015–2018	0	919
Total	**422**	**1,130**

19. SHORT-TERM LIABILITIES

EUR thousand	2017	2016
Bank loans	0	6,000
Finance lease liabilities	287	152
Accounts payable	1,375	774
Advances received	9,058	8,324
Accrued charges and deferred credits	3,886	4,410
Other liabilities	1,102	709
Total	**15,707**	**20,369**

The carrying amount of accounts payable 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 primary comprised of allocations of wages and salaries and personnel expenses.

Besides the aforementioned, EUR 753 thousand of the advances received have been presented in Other long-term liabilities due to their maturity.

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 categorised as long-term liabilities when they mature in more than 12 months. Liabilities maturing in less than 12 months are categorised as short-term.

Financial liabilities

	2017		2016		
EUR thousand	Asset values	Fair values	Asset values	Fair values	Fair value hierarchy
Long-term					
Finance lease liabilities	399	399	55	55	2
Total	**399**	**399**	**55**	**55**	
Short-term					
Bank loans	-	-	6,000	6,200	2
Finance lease liabilities	287	287	152	152	2
Total	**287**	**287**	**6,152**	**6,352**	

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).

Maturity of liabilities

2017

EUR thousand	2018	2019	2020	Total
Finance lease liabilities	287	250	148	686
Total	**287**	**250**	**148**	**686**

2016

EUR thousand	2017	2018	2019	Total
Bank loans	6,000			6,000
Finance lease liabilities	152	44	11	207
Total	**6,152**	**44**	**11**	**6,207**

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 minimise 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 minimise the amount of credit losses. A credit loss is recognised 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.

21. THE GROUP'S CONTINGENT LIABILITIES

Contingent liabilities

EUR thousand	2017	2016
Pledges given on own behalf		
Corporate mortgage	0	7,800
Guarantees	492	442
Total	**492**	**8,242**
Pledges given on behalf of subsidiaries and other Group companies		
Guarantees	48	48
Total	**48**	**48**
Other leases		
Lease liabilities maturing within one year	1,505	1,315
Lease liabilities maturing within one to five years	1,470	1,469
Total	**2,975**	**2,784**
Pledges, mortgages and contingent liabilities total	**3,515**	**11,074**

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 2017

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
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. 2017	1.5.–31.12. 2016
Varelius Juha	President and CEO	579	1,393
Ingman Robert	Chairman of the Board of Directors	73	57
Uhari Tommi	Vice Chairman of the Board of Directors	52	38
Rossi Matti	Member of the Board of Directors	36	29
Saarinen Leena	Member of the Board of Directors	38	27
Öistämö Kai	Member of the Board of Directors	36	27
Total		**813**	**1,570**

Management's employee benefits

EUR thousand	2017	2016
Salaries and other short-term employee benefits	1,356	1,635
Share-based incentive schemes	422	1,130
Total	**1,779**	**2,765**

The Group was established by a partial demerger registered on 1 May 2016. Hence, comparison data is limited to an 8-month period.

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	2017	2016
Net sales		**1,169,692.97**	**0.00**
Personnel expenses	1	-654,238.85	-1,442,815.66
Depreciation and amortisation	2	-82,768.11	-117,155.43
Other operating expenses	3	-1,001,148.97	-725,721.69
Operating profit		**-568,462.96**	**-2,285,692.78**
Financial expenses	4	-204,335.20	-502,653.21
Earnings before tax		**-772,798.16**	**-2,788,345.99**
Income taxes		0.00	0.00
Net profit		**-772,798.16**	**-2,788,345.99**

Parent company's balance sheet (FAS)

EUR	Notes	31.12.2017	31.12.2016
Non-current assets			
Intangible assets			
Intangible rights	5	0.00	82,768.24
Total		**0.00**	**82,768.24**
Investments			
Holdings in group companies	6	10,256,928.24	10,256,928.24
Long-term receivables from group companies	6	2,000,000.00	2,000,000.00
Total		**12,256,928.24**	**12,256,928.24**
Non-current assets total		**12,256,928.24**	**12,339,696.48**
Current assets			
Accounts receivable from group companies		1,450,419.28	0.00
Current receivables from group companies		5,150,000.00	0.00
Other receivables		**40,953.97**	**19,281.03**
Cash in hand and at banks		2,720,472.91	337,386.82
Total		**9,361,846.16**	**356,667.85**
Total assets		**21,618,774.40**	**12,696,364.33**

EUR	Notes	31.12.2017	31.12.2016
Shareholders' equity			
Share capital	7	500,000.00	500,000.00
Unrestricted shareholders' equity reserve	7	24,036,509.55	8,720,208.70
Retained earnings		-2,788,345.99	0.00
Net profit	7	-772,798.16	-2,788,345.99
Total		**20,975,365.40**	**6,431,862.71**
Short-term liabilities			
Loans from financial institutions	8	0.00	6,000,000.00
Accounts payable		44,983.15	42,491.19
Other liabilities		173,081.78	26,266.93
Accrued charges and deferred credits	9	425,344.07	195,743.50
Total		**643,409.00**	**6,264,501.62**
Total shareholders' equity and liabilities		**21,618,774.40**	**12,696,364.33**

Parent company's cash flow statement FAS

EUR	2017	2016
Net profit before tax	**-772,798.16**	**-2,788,345.99**
Adjustments to net profit	287,103.44	619,502.65
Change in working capital	-1,093,184.84	112,577.38
Interest paid	-204,335.20	-502,347.22
Cash flow from financial items and taxes	**-204,335.20**	**-502,347.22**
Cash flow from operations	**-1,783,214.76**	**-2,558,613.18**
Loans granted	-5,150,000.00	-2,000,000.00
Cash flow from investments	**-5,150,000.00**	**-2,000,000.00**
Repayments of current loans	-6,000,000.00	-1,104,000.00
Withdrawals of non-current loans		6,000,000.00
Repayments of current loans		0.00
Rights offering	15,316,300.85	0.00
Cash flow from financing	**9,316,300.85**	**4,896,000.00**
Change in cash and cash equivalents	**2,383,086.09**	**337,386.82**
Cash and cash equivalents at beginning of period	**337,386.82**	**0.00**
Cash and cash equivalents at end of period	**2,720,472.91**	**337,386.82**

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 D3A, FI-02600 Espoo, Finland. Qt Group Plc's subsidiary responsible for its operations in Finland is The Qt Company Oy. Qt Group Plc was formed as a result of the partial demerger of Digia Plc, which took effect on 1 May 2016, so the comparison data is only for the period of eight months.

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 recognised as expenses for the year during which they are incurred.

Taxes

Taxes recognised 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 recognised 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

Acquisitions of fixed assets with a useful life of less than three years are recognised 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 recognised as expenses for the period during which they are incurred.

Shareholders' equity and dividends

The Board of Directors' proposal for dividend payout is not recognised 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	2017	2016
Wages and salaries	586,000.58	1,381,597.11
Pension expenses	62,766.21	50,705.81
Other personnel expenses	5,472.06	10,512.74
Total	**654,238.85**	**1,442,815.66**

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. Depreciation and amortisation

EUR	2017	2016
Planned depreciation		
Intangible assets	82,768.11	117,155.43
Total	**82,768.11**	**117,155.43**

3. Other operating expenses

EUR	2017	2016
IT expenses	227,253.61	310,758.99
Expert services	555,221.92	262,594.59
Other expenses	218,673.44	152,368.11
Total	**1,001,148.97**	**725,721.69**

Auditors' fees		
Audit	14,000.00	13,181.65
Other services	17,515.00	
Total	**31,515.00**	**13,181.65**

The company's auditor for 2016 and 2017 was KPMG Oy Ab.

4. Financial income and expenses

EUR	2017	2016
Interest expenses for loans from financial institutions	204,335.20	502,653.21
Total	**204,335.20**	**502,653.21**

Resulting from the repayment of loans granted by financial institutions, interest expenses decreased year-on-year.

5. Intangible assets

EUR	Intangible rights 2017
Acquisition cost, 1 January	527,199.54
Increases	0.00
Acquisition cost, 31 December	**527,199.54**
Accumulated depreciation and impairment, 1 January	-444,431.43
Accumulated depreciation and amortisation transferred in connection with the demerger	0.00
Depreciation and amortisation	-82,768.11
Accumulated depreciation and impairment, 31 December	**-527,199.54**
Book value, 1 January	**82,768.11**
Book value, 31 December	**0.00**

EUR	Intangible rights 2016
Acquisition cost, 1 May	0.00
Assets transferred in connection with the demerger	527,199.54
Acquisition cost, 31 December	**527,199.54**
Accumulated depreciation and impairment, 1 May	0.00
Accumulated depreciation and amortisation transferred in connection with the demerger	-327,276.01
Depreciation and amortisation	-117,155.42
Accumulated depreciation and impairment, 31 December	**-444,431.43**
Book value, 1 May	**0.00**
Book value, 31 December	**82,768.11**

Intangible assets are primarily comprised of IT software received in connection with the demerger.

6. Investments

Holdings in group companies

EUR	2017
Acquisition cost, 1 January	10,256,928.20
Acquisition cost, 31 December	**10,256,928.24**
Book value, 1 January	10,256,928.20
Book value, 31 December	**10,256,928.20**

EUR	2016
Acquisition cost, 1 May	-
Assets transferred in connection with the demerger	10,256,928.24
Acquisition cost, 31 December	**10,256,928.24**
Book value, 1 May	**-**
Book value, 31 December	**10,256,928.24**

Itemisation 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%

Long-term receivables from group companies

EUR	2017	2016
Long-term loan receivables	2,000,000.00	2,000,000.00
Total	**2,000,000.00**	**2,000,000.00**

7. Changes in shareholders' equity

EUR	2017	2016
Share capital, 1 January	500,000.00	-
Share capital formed in connection with the demerger (1 May 2016)		500,000.00
Share capital, 31 December	500,000.00	500,000.00
Unrestricted shareholders' equity reserve, 1 January	8,720,208.70	-
Reserve for invested unrestricted equity formed in connection with the demerger (1 May 2016)	0.00	8,720,208.70
Rights offering	15,316,300.85	0.00
Unrestricted shareholders' equity reserve, 31 December	24,036,509.55	8,720,208.70
Retained earnings	-2,788,345.99	0.00
Net profit (loss)	-772,798.16	-2,788,345.99
Total shareholders' equity	**20,975,365.40**	**6,431,862.71**
Calculation of distributable funds		
Unrestricted shareholders' equity reserve	24,036,509.55	8,720,208.70
Retained earnings	-2,788,345.99	0.00
Net profit (loss)	-772,798.16	-2,788,345.99
Total distributable funds	**20,475,365.40**	**5,931,862.71**

8. Interest-bearing liabilities

EUR	2017	2016
Maturing during the next 12 months	0.00	6,000,000.00
Total	**0.00**	**6,000,000.00**

9. Accrued charges and deferred credits

EUR	2017	2016
Accrued charges and deferred credits to group companies	350,000.00	0.00
Personnel expense allocations	74,896.08	155,062.91
Other accrued charges and deferred credits	447.99	40,680.59
Total	**425,344.07**	**195,743.50**

Board of Directors dividend proposal

Parents company's net result showed a loss of EUR 772,798.16. 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 2017.

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

Espoo, 15 February 2018

Robert Ingman
Chairman of the Board of Directors

Tommi Uhari
Vice Chairman of the Board of Directors

Matti Rossi
Member of the Board of Directors

Leena Saarinen
Member of the Board of Directors

Kai Öistämö
Member of the Board of Directors

Juha Varelius
President and CEO

Auditors' note

The report of the audit has been issued today.
Espoo, 15 February 2018

KPMG Oy Ab
Authorised 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, 2017. 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 judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

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

The key audit matter	How the matter was addressed in the audit
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. ▪ Irrespective of whether there is any indication of impairment, the goodwill acquired in a business combination is required to be tested for impairment annually. An impairment arises when the recoverable amount is less than the carrying value of the investment ▪ The assumptions to support goodwill values (e.g. discount rate, profitability and growth rates) are judgmental.	▪ We have assessed the assumptions used in respect of discount rate, profitability as well as forecast growth rates and involved valuation 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 judgment 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 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 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 on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional 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 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 15, 2018

KPMG OY AB

Kim Järvi
Authorized Public Accountant, KHT

Corporate Governance Statement

I. INTRODUCTION

This Corporate Governance Statement has been prepared in accordance with the Governance Code for Listed Finnish Companies 2015 ("Governance Code") and chapter 7, section 7 of Finnish Securities Market Act (746/2012). This Statement has been issued separately from the report of the Board of Directors.

The Governance Code is available on the Finnish Securities Market Association website at 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 organises, 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 per cent (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 2017.

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 and Halti Ltd. Vice Chairman of the Board of Digia Plc. Member of the Evli Pankki Plc and M-Brain Ltd.

Matti Rossi

b. 1966, Doctor of Philosophy

Member of the Board of Directors of Qt Group Plc since 2016. Member of the Audit Committee. Matti Rossi is Professor of Information Systems Science in the Department of Information and Service Economy at Aalto University and Docent in Information System Development at Lappeenranta University of Technology. Previous posts include that of Professor of Information Systems at the Helsinki School of Economics (1999–2009), Visiting Professor and Visiting Associate Professor at several universities in the United States (2007–2008, 1997–1998), and Researcher at Erasmus University Rotterdam in the Netherlands (1998–1999) and the University of Jyväskylä (1985–1998).

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.

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).

Kai Öistämö

b. 1964, Doctor of Technology, M.Sc. (Engineering)

Member of the Board of Directors of Qt Group Plc since 2016. Member of the Audit Committee. Currently Executive Partner at Siris Capital Group, Chairman of the Board at Fastems Oy and Helvar Oy, and member of the Board at InterDigital and Sanoma Corporation. His previous posts include Chief Development Officer at Nokia until the autumn of 2014 and a member of the Nokia Group Executive Board in 2006–2014. Obtained his Doctorate in Technology (Signal Processing) from Tampere University of Technology in 1992.

Composition of Board of Directors

During the financial year 2017, the Board of Directors of Qt Group Plc comprised the following members:

Name	EDUCATION	YEAR OF BIRTH	MAIN ACTIVITY	OWNERSHIP*
Robert Ingman	M.Sc. (Eng.), M.Sc. (Econ.)	1961	Chairman of the Board of Directors at Ingman Group Oy Ab	5,173,000
Matti Rossi	Ph.D.	1966	Professor, Docent	0
Leena Saarinen	M.Sc. (Food Technology)	1960	Board professional	2,844
Tommi Uhari	M.Sc. (Eng.)	1971	Partner at Karma Ventures – Venture Capital fund	0
Kai Öistämö	D.Sc. (Tech.), M.Sc. (Eng.)	1964	Executive Partner at Siris Capital Group	11,280

* Shares and share-based rights held directly or through legal entities under person's control as per 31 December 2017.

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

Of the aforementioned members of the Board, Matti Rossi, Leena Saarinen, Tommi Uhari and Kai Öistämö are independent of the company and its major shareholders. Robert Ingman is independent of the company

During the financial year 2017, the Board of Directors held 10 meetings.
The participation rate into the meetings was the following.

Member	PARTICIPATION
Robert Ingman (Chairman)	10/10
Matti Rossi	10/10
Leena Saarinen	10/10
Tommi Uhari	10/10
Kai Öistämö	9/10
Total	**98%**

Committees of the Board of Directors

The company's Board of Directors had two (2) committees in financial year 2017: 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 compensation and remuneration schemes 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 2017, the members of the Compensation and Nomination Committee and their participation rate into the meetings were as follows:

Member	PARTICIPATION
Robert Ingman	6/6
Leena Saarinen (Chairman)	6/6
Tommi Uhari	6/6
Total	**100%**

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 2017, the members of the Audit Committee and their participation rate into the meetings were as follows:

Member	PARTICIPATION
Matti Rossi	4/4
Tommi Uhari (Chairman)	4/4
Kai Öistämö	4/4
Total	**100%**

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 he 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.

During the financial year 2017, the Management Team of the company was as follows:

Name	EDUCATION	YEAR OF BIRTH	RESPONSIBILITY	OWNERSHIP*
Juha Varelius	M.Sc. (Econ.)	1963	Chief Executive Officer	270,776
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	Executive Vice President, Sales and Business Development	15,211
Mika Pälsi	LL.M.	1970	General Counsel	2,087
Tuukka Turunen	M.Sc. (Computer Sciences), Licentiate of Technology	1974	SVP, R&D	137,990

* Company shares held directly or through legal entities controlled by a person per 31 December 2017.

On 31 December 2017 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 579,286 stock options.

Management Team

Juha Varelius

born 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).

Mika Harjuaho

born 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).

Petteri Holländer

born 1974, secondary school graduate of technology

Chief Product Officer 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).

Lars Knoll

born 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.

Katja Kumpulainen
born 1973, eMBA

Chief Marketing Officer 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.

Juhapekka Niemi
born 1968, Information Technology Engineer

Chief Business Officer 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 Pälsi
born 1970, Master of Laws .

Chief Legal Officer and Member of the Board of Directors 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).

Tuukka Turunen
born 1974, Master of Science in Technology, Licentiate in Technology

Chief Research and Product Development Officer 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). Chairman of the Board of Directors in the Qt Project Hosting Foundation and a Member of the Board of Directors in the KDE Free Qt Foundation and Tietolatva Oy.

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.

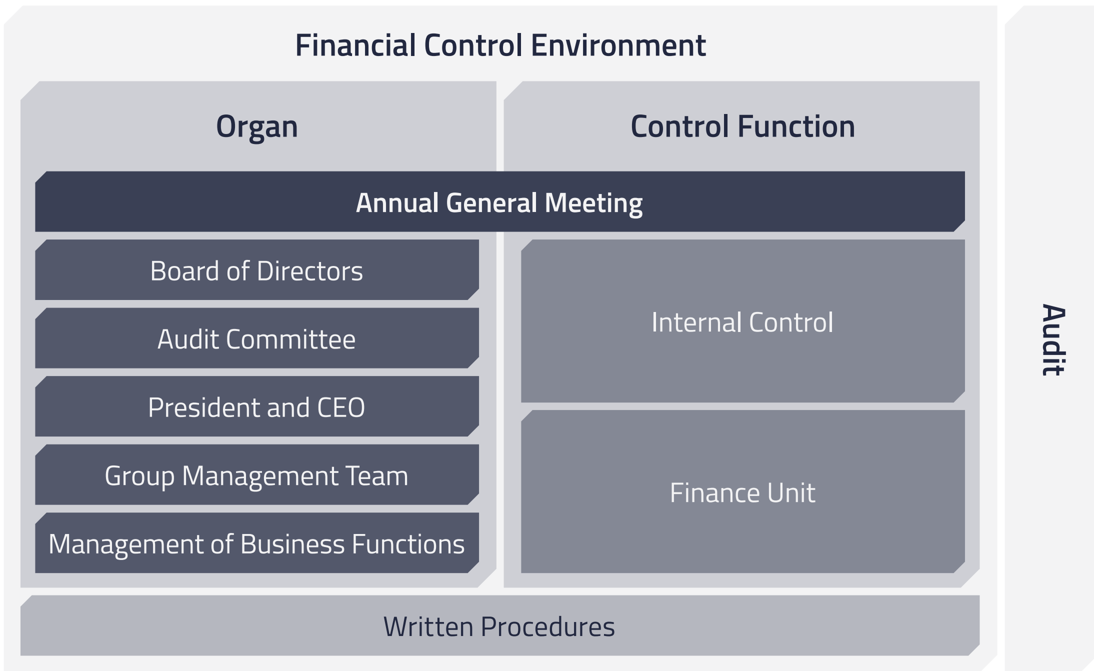
Internal risk control

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 2017, the auditor's fees for auditing services was 43,600 euros and 97,000 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.

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 executives. 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 executives.

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. At its meeting on 27 September 2017 the company's Board of Directors decided to extent the validity of said option program so that the option rights still unallocated from the original 2,000,000 maximum amount can be allocated to the key personnel of the company or its group companies whilst the authorization given by the Annual General Meeting still remains valid.

B) Key Remuneration Principles

Remuneration of the Board of Directors

The 2017 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 committee 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 does not grant 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 303,225 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 per cent 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 per cent of his annual base salary. However, no bonus shall be paid if the company's operating profit is more than one million euros short of the set operating profit budget. The fulfilment of bonus criteria is evaluated and possible rewards are paid semiannually.

Under the company's long-term incentive scheme (**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.

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 Executives

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 executives comprises a monthly salary and the bonus payable on the basis of reaching the set targets. Annual fixed salaries including fringe benefits for the members of the Management Team (excluding the CEO) totalled EUR 870,522 per year at the time of issuing this statement.

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

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

Under the company's long-term incentive scheme, the members of the Management Team (excluding the CEO) have been issued 579,286 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.

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

C) Remuneration Report

Remuneration of the Board of Directors
In fiscal year 2017, the members of the Board of Directors were paid remuneration for their work on the Board and its Committees as follows:

Name	Monetary remunaration/EUR	Share-based remuneration/EUR	Total/EUR
Robert Ingman	72,500	-	72,500
Matti Rossi	36,000	-	36,000
Leena Saarinen	37,500	-	37,500
Tommi Uhari	52,000	-	52,000
Kai Öistämö	35,500	-	35,500
Total	**233,500**	**-**	**233,500**

Remuneration of the President and CEO

In fiscal year 2017, 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	300,309	131,757	-	**432,066**

Remuneration of Other Executives

The company has a Management Team, which comprises in the fiscal year 2017 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 Pälsi (General Counsel), **Tuukka Turunen** (SVP Research and Development)

In fiscal year 2017, the other executives (excluding the CEO) were paid salaries (including fringe benefits) 852,575 euros and other benefits 319,981 euros, all together 1,172,556 euros. Share-based incentives were not paid.

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**.

Qt's Annual General Meeting will be held on Tuesday, 13 March 2018 at 10:00 a.m. at Rake-sali in Helsinki, address Erottaja 4C. More information on registering for the AGM and the AGM documents are available at **investors.qt.io**.

Financial calendar 2018

16 February	Financial statements bulletin for 2017 and annual report
27 April	Interim statement January–March
9 August	Half year financial report
1 November	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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