

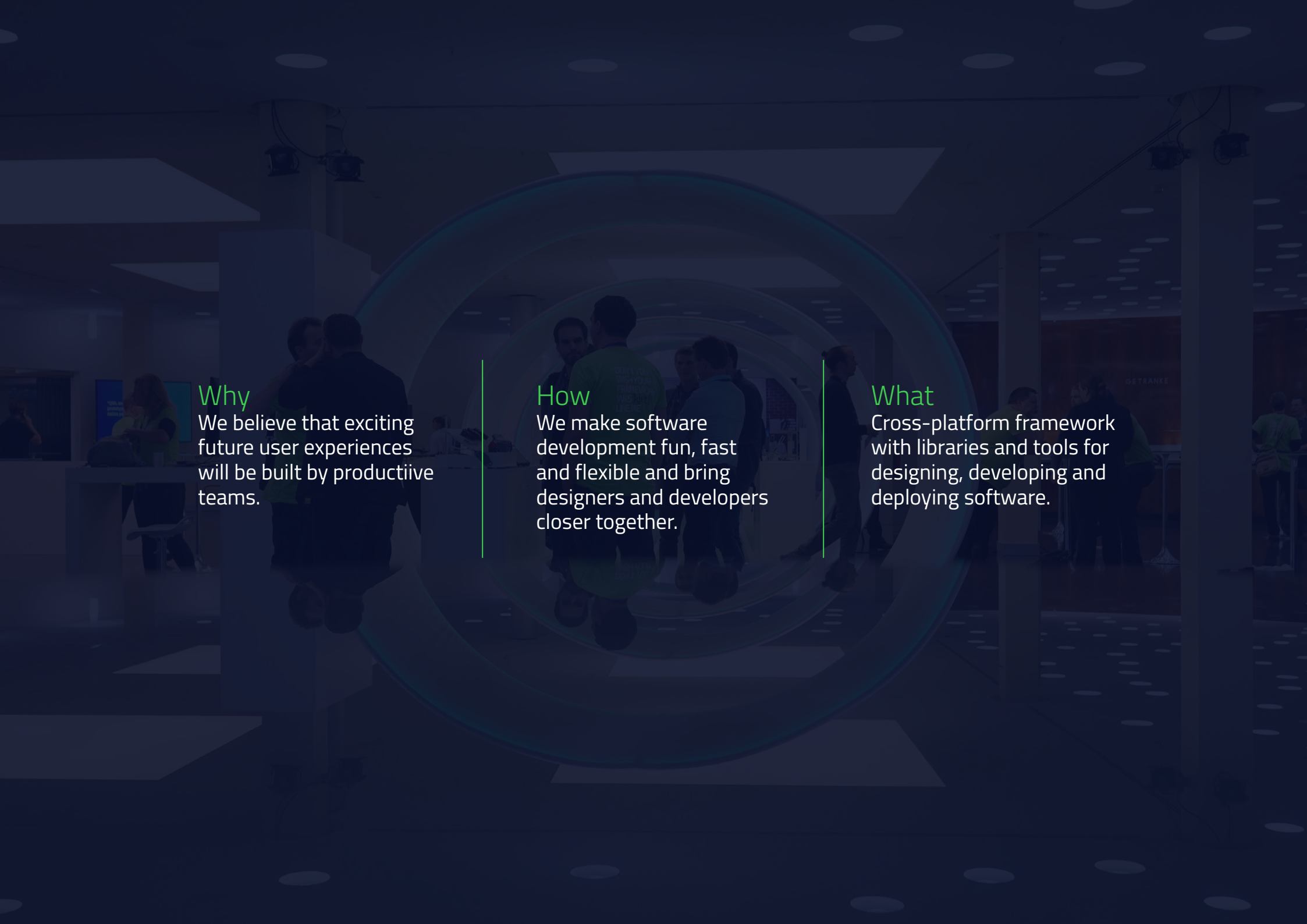


Qt
Group

The future is written with Qt

Annual Report 2018





Why

We believe that exciting future user experiences will be built by productive teams.

How

We make software development fun, fast and flexible and bring designers and developers closer together.

What

Cross-platform framework with libraries and tools for designing, developing and deploying software.

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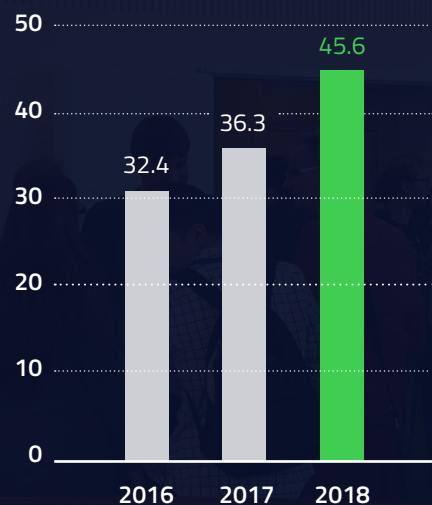
investors.qt.io

Qt Group in 2018

Net sales
MEUR

45.6

* 36.3



* 2017
Listed on Nasdaq OMX Helsinki since 2 May 2016.

-2,322

Operating result
EUR thousand

* -3,206

71.2%

Equity ratio

* 73.4%

-5.1%

Operating margin

% OF NET SALES

* -8.8%

-0.10

Earnings per share

EUR

* -0.14

-11.6%

Return on
investment

* -18.1%

295

Personnel
on average

* 255

President and CEO's review

Our net sales grew by over 25 percent

2018 was a successful year for us. As a company, we have made good progress on numerous fronts. Our sales have developed favorably as we entered into new accounts in all major markets in various industries. We witnessed a significant increase in net sales which grew by over 25 percent annually and reached EUR 45.6 million. We have also deepened cooperation with existing customers who already have a long history with us. This is important as we go forward, because it shows that our product is solid and scalable.

Our customers are exploring our latest technologies to build visually stunning and functionally rich digital UIs. It is not just the framework and applications, but actually the integrated workflow that enables customers to innovate quickly. In our product development, we have invested in developing Designer-Developer workflow and 3D graphics as well as concentrated to products related to industry specific requirements, for example continued developing Qt Automotive Suite. Last year, we also released Qt for Python which enables developers quickly and easily visualize their Python developer projects. This is again widening our Qt ecosystem as Python is the fourth most popular programming language worldwide.



Features like 2D and 3D graphics and personalization enable impressive cockpits in cars, informative screens in medical devices and smooth user-experiences in consumer goods. For example, automotive manufacturers now seek an integrated, full-fledged HMI platform to cover all different system domains inside the vehicle. We provide all the necessary technology to easily create intuitive touch-driven displays and therefore give the tools and capabilities necessary for our customers to save substantial time, effort and money as they develop next-generation user interfaces and therefore they are able to get their products to market faster.

In many manufacturing industries, our customers must observe and balance between regulation compliance and dynamic innovation. Our answer to these requirements is Qt Safe Renderer which gives the customer the technology to make robust and reliable systems. Naturally, we have continued improving Qt performance and HW support, and therefore Qt 5.12 was released in the end of the year.

Numerous industries are undergoing a transformation due to an entirely new wave of consumer-driven demands. We are working with some of the biggest names in the consumer electronics, automotive and automa-

Qt ecosystem expands through new partnerships and customers.

tion industries, for example with customers like Peugeot, LG, Daimler and Omron. All our customers are facing the same market requirements – the number of screens are increasing but the number of developers is not. For example, the automotive market is rapidly evolving through the adoption of new technologies that add more screens and software into the car. As a result, premium IVI development projects now require more advanced technical capabilities to support and maintain a cohesive driving experience. Qt software framework is platform agnostic which means that multiple, natively developed code stacks or complex toolchains requiring support are not needed. Being cross-platform continues being the key cost saving element to our customers. Qt is extremely flexible, as it enables users to write code once. It is suitable for low-end hardware solutions, as well as the very complex high-end hardware that supports the advanced features.

Annually, we conduct a customer satisfaction survey and while reading it, I was quite proud of being a part of this growth story. Our customers praised for example our great support team and code consistency. Most important is to continue to make our customers succeed in their organizations and projects. The possibility to make software development fast and fun are our strengths also in the future.

I want to thank our employees for all the contribution and good work for The Qt Company during 2018. I want to thank our customers for the trust you have shown towards our team, product and solution and I also want to thank all our partners for enabling our customers to create great implementations with Qt. Thank you all investors and other business partners for the good co-operation in 2018.

Juha Varelius
President and CEO
Qt Group Plc

Board of Directors' Report

Fiscal year 2018

- Net sales increased by 25.7 percent to EUR 45,590 thousand (36,259)*. The effect of exchange rates on the comparison period's net sales was EUR -643 thousand. At comparable exchange rates, net sales increased thus by 28.0 percent.
- Net sales of distribution licenses grew by 27.6 percent to EUR 11,990 thousand (9,396).
- The operating result was EUR -2,322 thousand (-3,206).
- The operating margin (EBIT %) was -5.1 percent (-8.8%).
- Earnings per share were EUR -0.10 (-0.14).

* the figures in brackets refer to the comparison period, i.e. the corresponding period in the previous year. Reporting has been prepared in accordance with International Financial Reporting Standards (IFRS).

Financial year 2018

Net sales

Qt's net sales in 2018 amounted to EUR 45,590 thousand (36,259), an increase of 25.7 percent. License sales and

consulting grew by 33.0 percent, while net sales of support and maintenance increased by 13.0 percent. As part of license sales and consulting, the net sales of distribution licenses grew by 27.6 percent to EUR 11,990 thousand (9,396). The effect of exchange rates on the comparison period's net sales was EUR -643 thousand. At comparable exchange rates, net sales increased thus by 28.0 percent.

Qt's net sales for the fourth quarter amounted to EUR 11,138 thousand (EUR 10,108 thousand), up 10.2 percent. License sales and consulting grew by 4.8 percent and support and maintenance by 20.8 percent. The effect of exchange rates on the comparison period's net sales was EUR 274 thousand. At comparable exchange rates, net sales increased thus by 7.3 percent.

Profit performance

Qt's operating result for October–December 2018 was EUR -1,651 thousand (EUR -701 thousand). The operating result for the financial year was EUR -2,322 thousand (EUR -3,206 thousand).

Other operating income for the financial year includes income derived from events organized by the company, as well as tax-free research and development invest-

ment grants received by the company in Norway, totaling approximately EUR 436 thousand (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 2018.

The company's operating expenses, including materials and services, personnel expenses, depreciation and other operating expenses, amounted to EUR 13,380 thousand (EUR 11,387 thousand) in the fourth quarter, up 17.5 percent year-on-year. Personnel expenses accounted for 61.7 percent (63.4%) of operating expenses, or EUR 8,262 thousand (EUR 7,214 thousand).

The company's net financial expenses in the fourth quarter amounted to EUR 54 thousand (EUR -134 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 -1,597 thousand (EUR -835 thousand) and the result was EUR -1,451 thousand (EUR -731 thousand). Taxes for the review period amounted to EUR 146 thousand positive (EUR 104 thousand), which was due to deferred tax assets recognized for losses.

Earnings per share totaled EUR -0.06 during the fourth quarter (EUR -0.03).

Financing and investments

Cash flow from operating activities during the financial year was EUR -1,588 thousand (EUR -2,939 thousand) due to investments in growth and the subsequent loss-making operating result.

Qt's cash and cash equivalents totaled EUR 9,702 thousand (EUR 11,693 thousand) at the end of the financial year.

Qt Group's consolidated balance sheet total at the end of the financial year stood at EUR 38,760 thousand (EUR 37,485 thousand). Net cash flow from investments during the financial year was EUR -495 thousand (EUR -384 thousand).

The equity ratio was 71.2 percent (73.4%) and gearing was -49.5 percent (-54.2%). Interest-bearing liabilities amounted to EUR 630 thousand (EUR 686 thousand), of which short-term loans accounted for EUR 391 thousand (EUR 287 thousand).

The return on investment for the financial year was -11.6 percent (-18.1%) and return on equity was -12.4 percent (-22.6%).

Research and development

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

Product development expenses during the fiscal year totaled EUR 10,863 thousand (EUR 9,055 thousand), accounting for 23.8 percent (25.0%) of net sales. Product development expenses increased by 20.0 percent year-on-year.

There were, on average, 118 people working in product development during the financial year (103).

The geographical distribution of personnel:

Personnel	1-12/2018	1-12/2017	Change %
(in an employment relationship, on average)			
Finland	90	82	10%
Rest of Europe & APAC	163	139	17%
North America	42	34	24%
Group total	295	255	16%

Personnel

The number of Group personnel was 295 (255) on average during the fourth quarter and 306 (276) at the end of the financial year. At the end of the financial year, international personnel represented 72 percent (68%) of the total.

Personnel expenses totaled EUR 32,896 thousand (EUR 26,975 thousand) during the financial year, up 22.0 percent.

Share and shareholders

On December 31, 2018, the number of Qt Group Plc shares was 23,792,312 (23,792,312).

According to Euroclear Finland Ltd, the company had 4,312 (4,006) shareholders on December 31, 2018.

Qt Group Plc was notified on 1 February 2018 of a change in the ownership as the overall holding of Qt Group Plc's shares and voting rights within the funds managed by Aktia Capital Investment Fund exceeded 5% flagging threshold. Ownership changed on 1 February 2018.

Qt Group Plc was notified on 4 April 2018 of a change in the ownership as the overall holding of Qt Group Plc's shares and voting rights managed by Jyrki Hallikainen crossed below the 5% flagging threshold. Ownership changed on 12 March 2018.

The ten largest shareholders on 31 December 2018

Shareholder	Percentage of shares and votes
Ingman Development Oy Ab	21.6%
Ilmarinen Mutual Pension Insurance Company	10.1%
Varma Mutual Pension Insurance Company	4.7%
Karvinen Kari Juhani	4.2%
Aktia Capital Investment Fund	3.8%
Hallikainen Jyrki Sakari	3.6%
Savolainen Matti Ilmari	3.1%
OP Finland Small Cap Fund	2.5%
Evli Finnish Small Cap Fund	2.4%
Aktia Nordic Small Cap Investment Fund	2.2%

Distribution of holdings by number of shares held on 31 December 2018

Number of shares	Shareholders	Percentage of shares and votes
1–100	24.5%	0.2%
101–1,000	55.4%	3.8%
1,001–10,000	17.6%	8.5%
10,001–100,000	1.9%	11.0%
100,001–1,000,000	0.6%	35.8%
1,000,001–9,999,999	0.1%	40.7%

Shareholding by sector on 31 December 2018

Number of shares	Shareholders	Shares
Non-financial corporations	4.1%	29.4%
Financial and insurance corporations	0.6%	20.6%
General government	0.0%	14.8%
Not-for-profit institutions serving households	0.2%	0.3%
Households	94.6%	34.8%
Foreign holding	0.4%	0.2%

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 4,316,712 shares changed hands during the reporting period. This accounts for 18.1 percent of the total number of shares. The volume-weighted average price of the share was EUR 6.82, with the lowest price being EUR 5.00 (3 January 2018) and the highest price EUR 9.10 (10 August 2018). The closing price at the end of December was EUR 7.90 per share, and Qt Group's market capitalization was EUR 188.0 million.

Governance

Qt Group Plc's Annual General Meeting (AGM) held on March 13, 2018, adopted the company's annual accounts, including the consolidated annual accounts for the accounting period January 1–December 31, 2017, and discharged the Members of the Board 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 December 31, 2017.

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, Leena Saarinen and Tommi Uhari were re-elected as members of Qt Group Plc's Board of Directors and Jaakko Koppinen and Mikko Marsio were elected as new members. 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.

The Board of Directors had two committees during the fiscal year that ended on December 31, 2018: Compensation and Nomination Committee as well as Audit Committee. Members of the Compensation and Nomination Committee during fiscal year 2018 were Leena Saarinen (Chairman), Robert Ingman and Tommi Uhari. Members of the Audit Committee were Tommi Uhari (Chairman), Jaakko Koppinen (as of 13.3.2018) and Mikko Marsio (as of 13.3.2018) as well as Kai Öistämö (until 13.3.2018) and Matti Rossi (until 13.3.2018).

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 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 September 13, 2019, and it replaces any earlier authorizations on the repurchase and/or acceptance as collateral of the company's own shares.

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

The 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 and the transfer of shares held by the company. By virtue of the authorization, the Board of Directors is entitled to decide on share issues and the granting of special rights waiving

the pre-emptive subscription rights of the shareholders (directed issue).

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

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

The authorization is valid for 18 months from the issue date of the authorization, i.e. until September 13, 2019, and it does not replace any earlier authorizations on share issues and the granting of special rights.

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, UK, France, 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 Group's business development efforts will particularly focus on desktop applications as well as embedded systems in the automotive, medical devices and industrial automation sectors. Product development efforts will also focus on the value-added features and tools needed in the creation of embedded systems.

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

Outlook 2019

We estimate that our net sales in 2019 will increase by more than 15 percent year-on-year at comparable exchange rates. We expect our operating result still in 2019 to show a loss due to growth investments.

Events after the end of the fiscal year

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

Board of Directors' Dividend Proposal

The Board of Directors of Qt Group Plc proposes to the Annual General Meeting that no dividend be paid for the fiscal year that ended on December 31, 2018.

Consolidated key figures

EUR thousand	31.12.2018	31.12.2017
Net sales	45,590	36,259
Operating profit	-2,322	-3,206
- % of net sales	-5.09%	-8.80%
Net profit	-2,391	-3,222
- % of net sales	-5.25%	-8.90%
Return on equity %	-12.38%	-22.56%
Return on investment %	-11.63%	-18.10%
Interest-bearing liabilities	630	686
Cash and cash equivalents	9,702	11,693
Net gearing %	-49.5%	-54.2%
Equity ratio %	71.19%	73.40%
Earnings per share, EUR*	-0.10	-0.14

*Rights offering Q2/2017

Calculation formulas for key figures

Return on equity

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

Return on investment:

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

Gearing

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

Equity ratio

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



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Consolidated income statement

EUR thousand	Notes	1.1.-31.12. 2018	1.1.-31.12. 2017
Net sales	2	45,590	36,259
Other operating income	3	1,205	1,128
Materials and services	4	-1,729	-1,130
Personnel expenses	5, 18, 22	-32,896	-26,975
Depreciation, amortization and impairment	7	-1,073	-914
Other operating expenses	8	-13,419	-11,574
Operating result		-2,322	-3,206
Financial income	9	1,433	764
Financial expenses	9	-1,632	-1,252
Earnings before tax		-2,521	-3,694
Income taxes	10	130	472
Net profit		-2,391	-3,222
Distribution of comprehensive income:			
Parent company shareholders		-2,391	-3,222
Net profit attributable to parent company shareholders, earnings per share			
Undiluted earnings per share (EUR/share)	11	-0.10	-0.14

Consolidated statement
of comprehensive income

EUR thousand	Notes	1.1.-31.12. 2018	1.1.-31.12. 2017
Other comprehensive income			
Items which may be reclassified subsequently to profit or loss:			
Translation difference		-21	-88
Total comprehensive income		-2,413	-3,310
Distribution of comprehensive income:			
Parent company shareholders		-2,413	-3,310

Consolidated statement of financial position

Assets

EUR thousand	Notes	31.12.2018	31.12.2017
Non-current assets			
Goodwill	12	6,562	6,562
Other intangible assets	12	4,555	4,995
Tangible assets	13	1,212	1,082
Long-term receivables		178	157
Deferred tax assets	14	2,985	2,049
Total non-current assets		15,492	14,845
Current assets			
Trade receivables	15	9,398	7,829
Other receivables	15	4,169	3,117
Cash and cash equivalents	16	9,702	11,693
Total current assets		23,268	22,639
Total assets		38,760	37,485

Equity and liabilities

EUR thousand	Notes	31.12.2018	31.12.2017
Shareholders' equity			
Share capital	17	500	500
Unrestricted shareholders' equity reserve	17	23,651	23,651
Translation difference	17	524	545
Retained earnings	17, 18	-3,965	-1,165
Net profit		-2,391	-3,222
Total shareholders' equity		18,318	20,308
Long-term liabilities			
Deferred tax liabilities	14	394	317
Long-term interest-bearing liabilities	20	239	399
Other long-term liabilities	19	1,143	753
Total long-term liabilities		1,777	1,469
Short-term liabilities			
Short-term interest-bearing liabilities	19, 20	391	287
Accounts payable	19	1,007	1,375
Other short-term liabilities	19	17,268	14,046
Total short-term liabilities		18,665	15,707
Total liabilities		20,442	17,176
Shareholders' equity and liabilities		38,760	37,485

Consolidated cash flow statement

EUR thousand	1.1.–31.12. 2018	1.1.–31.12. 2017
Profit before taxes	-2,521	-3,694
Adjustments to net profit		
Depreciation and amortization	762	700
Other adjustments	622	910
Change in working capital		
Change in trade and other receivables	-2,614	-1,456
Change in accounts payable and other liabilities	2,385	1,118
Interest paid	-15	-204
Other financial items	209	55
Taxes paid	-416	-368
Cash flow from operations	-1,588	-2,939
Purchases of tangible and intangible assets	-495	-384
Cash flow from investments	-495	-384
Repayments of current loans		-6,000
Rights offering		14,931
Cash flow from financing	0	8,931
Change in cash and cash equivalents	-2,083	5,608
Cash and cash equivalents at beginning of period	11,693	6,420
Net foreign exchange difference	91	-335
Cash and cash equivalents at end of period	9,702	11,693

Consolidated statement of changes in shareholders' equity

EUR thousand	Share capital	Unrestricted shareholders' equity reserve	Translation difference	Retained earnings	Total shareholders' equity
Shareholders' equity 1 January 2017	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	500	23,651	545	-4,388	20,308
Shareholders' equity 1 January 2018	500	23,651	545	-4,388	20,308
Comprehensive income for the period					
Net profit				-2,391	-2,391
Stock option programme				422	422
Comprehensive income			-21		-21
Shareholders' equity 31 December 2018	500	23,651	524	-6,357	18,318

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

Qt has operating locations in Finland, Norway, Germany, United States, Russia, Japan, China, South Korea, France and United Kingdom. The company has approximately 100 software developers working in research and product development units in Berlin, Oslo and Oulu. The company's head office is located in Espoo, Finland. The Group had 306 employees at the end of 2018.

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

Accounting policies applied in the consolidated financial statements

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

Basis of preparation

The consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS), observing the IAS and IFRS standards as well as the SIC and IFRIC interpretations valid on 31 December 2018.

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.

Qt Group has adopted IFRS 15 Revenue from Contracts with Customers, effective on January 1, 2018. The essential concepts in IFRS 15 have been assessed by analysing the most significant customer contracts and revenue streams. Qt Group's revenue streams consist of distribu-

tion licences, developer licences and related maintenance and support as well as professional services. Revenue is recognized when a company transfers control of goods or services to a customer. Application of new standard did not change the revenue recognition principles.

Qt Group has adopted IFRS 9 Financial Instruments, effective on January 1, 2018. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, new general hedge accounting requirements and a new credit loss model for financial assets. Qt Group's financial assets consist of trade and other receivables and cash and cash equivalents which are measured at amortised cost. Qt Group does not apply hedge accounting so the new standard does not have significant impact on classification or valuation of financial assets or liabilities. New standard includes a new model for estimating impairment of financial assets, which is based on expected credit losses and this relates to accounts receivables. Qt Group has analyzed the historical data and the new credit loss model did not significantly impact Qt Group's current bad debt provision.

Notes to the Consolidated Financial Statements

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.

Foreign currency translation

Items referring to the earnings and financial position of the Group's units are recognized in the currency that is the main currency of the unit's primary operating environment

("functional currency"). The consolidated financial statements are given in euros, which is the operating and presentation currency of the parent company.

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

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

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

Estimates and assumptions regarding the future have to be made during the preparation of the financial state-

ments, 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.

Notes to the Consolidated Financial Statements

Crucial factors of uncertainty associated with estimates

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

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

IFRS amendments

The IFRS 16 Leases standard must be applied to financial periods 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 group will adopt the standard starting from the effective date of the standard using a simplified approach, and the figures of the year before the adoption of the standard will not be amended. Qt Group has made a preliminary assessment of the impacts of IFRS 16 on financial statements. The assessment may change after the final assessment has been made. The most considerable identified impact is that Qt Group will recognise new assets and liabilities on its balance sheet, mainly business premises and vehicles. Based on the preliminary analysis the group expects to recognize right-of-use assets and respective lease liabilities of approximately in range of EUR 5 million to EUR 7 million as of 1 January 2019. 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 lia-

bility, reported as part of financial expenses. Qt Group will provide a more detailed estimate of the impacts of the standard in the first quarterly report in 2019.

Other standards or interpretations entering into force in 2019 are not considered to have a material impact on the Group's result for the financial year, financial position or presentation of financial statements.

Notes to the Consolidated Financial Statements

1. ACQUIRED AND SOLD BUSINESSES**Businesses acquired in 2018**

No acquisitions were made during the financial year 2018.

Businesses acquired in 2017

No acquisitions were made during the financial year 2017.

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

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

Operating segments

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

Net Sales

EUR thousand	2018 Net Sales	2017 Net Sales
License sales and consulting	30,635	23,030
Maintenance revenue	14,955	13,230
Total net sales	45,590	36,259

EUR thousand	2018 Net Sales	2018 Non-current assets *	2017 Net Sales	2017 Non-current assets *
Finland	589	11,769	216	12,233
Rest of Europe and APAC	26,427	493	21,038	426
North America	18,574	245	15,006	138
Total net sales	45,590	12,508	36,259	12,797

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

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

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

Contract assets are short-term assets and mainly related to revenue recognition of distribution licences. At the end of the financial year 2018 the value of contact assets was 1,439 (117) EUR thousand.

Notes to the Consolidated Financial Statements

3. OTHER OPERATING INCOME

Other operating income consists of income that is not attributable to the Group's actual business. Other operating income is primarily comprised of public grants and income from organized events. Public grants are recognized once it is reasonably certain that they will be received and the Group meets the conditions for receiving the grant. Public grants are recognized through profit or loss for the period during which the right to receive the grant arises. The Group's public grants are presented in other operating income.

EUR thousand	2018	2017
Grants	436	389
Other income	769	739
Total	1,205	1,128

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	2018	2017
External services	1,729	1,130
Total	1,729	1,130

External services are mainly comprised of outsourcing services and subcontracting.

Notes to the Consolidated Financial Statements

5. PERSONNEL EXPENSES

Employee benefits**Pension liabilities**

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

EUR thousand	2018	2017
Wages and salaries	28,159	22,942
Pension costs (defined contribution plans)	2,198	1,744
Share-based incentive schemes	422	422
Other personnel expenses	2,117	1,866
Total	32,896	26,975

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

Group's personnel on average	2018	2017
Finland	90	82
Europe & APAC	163	139
North America	42	34
Total	295	255

Notes to the Consolidated Financial Statements

6. RESEARCH AND DEVELOPMENT COSTS

Research expenses are expensed through profit or loss for the period during which they occur. Development expenses are capitalized only if the Group meets the requirements of IAS 38 for the capitalisation of development expenses. Capitalized development expenses are depreciated over their useful lives. An asset is depreciated starting from when it is ready to use. An asset that is not yet ready to use is tested annually for impairment. Capitalized development expenses are measured at cost less accumulated depreciation and impairment after the initial recognition. Other development expenses are recognized as expenses. The Group did not have capitalized development costs on 31 December 2018. Development costs previously recognized as expenses are not capitalized in subsequent periods. Research and development costs recognized as expenses are included in personnel expenses and other operating expenses in the consolidated income statement.

EUR thousand	2018	2017
Research and development costs	10,862	9,055
Total	10,862	9,055

7. DEPRECIATION AND AMORTIZATION

EUR thousand	2018	2017
Depreciation and amortization by asset category		
Intangible assets		
Software and licenses	25	99
Intellectual property rights	406	414
Other intangible assets	61	8
Property, plant and equipment		
Machinery and equipment	581	393
Total depreciation, amortization and impairment	1,073	914

No impairment of tangible or intangible assets was recognized during the financial year 2018 or the comparison period in 2017.

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

Notes to the Consolidated Financial Statements

8. OTHER OPERATING EXPENSES

EUR thousand	2018	2017
Personnel expenses	1,230	962
Travel and representation expenses	2,258	1,809
Marketing and communications	1,873	1,884
External services	2,615	2,178
Costs of premises	2,357	2,110
IT expenses	2,378	2,100
Other expenses	708	531
Total	13,419	11,574
Auditor's fees		
Audit	48	44
Tax counselling	1	
Other services	32	88
Total	81	132

The Group's auditor for 2017 and 2018 was KPMG Oy Ab.

During financial year 2018, services that were rendered by KPMG Oy Ab to the Qt Group companies and that were not related to auditing amounted to EUR 33 thousand.

9. FINANCIAL INCOME AND EXPENSES

Financial income EUR thousand	2018	2017
Exchange rate gains	1,429	760
Other financial income	4	4
Total	1,433	764
Financial expenses		
EUR thousand	2018	2017
Interest expenses for loans from financial institutions	15	204
Exchange rate losses	1,560	1,020
Other financial expenses	57	28
Total	1,632	1,252

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

Notes to the Consolidated Financial Statements

10. INCOME TAXES

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

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

EUR thousand	2018	2017
Taxes for the period	472	320
Taxes for previous periods	126	87
Other items	150	230
Deferred tax	-877	-1,109
Total	-130	-472
Reconciliation of tax expenses with the tax rate of the Group's home country (20%)		
Earnings before tax	-2,521	-3,694
Taxes calculated at the parent company's tax rate	-504	-739
Effect of deviating tax rates of foreign subsidiaries	170	132
Income not subject to tax	-231	-261
Non-deductible expenses and other differences	140	98
Other items	169	211
Taxes for previous periods	126	87
Total	-130	-472
Effective tax rate	5%	13%

Notes to the Consolidated Financial Statements

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

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

Diluted earnings per share

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

	2018	2017
Net profit attributable to parent company shareholders (EUR thousand)	-2,391	-3,222
Weighted average number of shares during the financial period, 1,000 shares	23,792	23,049
Undiluted earnings per share (EUR/share)	-0.10	-0.14

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

Notes to the Consolidated Financial Statements

12. INTANGIBLE ASSETS**Intangible assets****Goodwill**

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

Research and development costs

Development costs are capitalized only if the Group meets the requirements of IAS 38 for the capitalisation of development costs. Capitalized development costs are depreciated over their useful lives. Capitalized development costs are measured at cost less accumulated depreciation and impairment after the initial recognition. Other development costs are recognized as expenses. The Group did not have capitalized development costs on 31 December 2018.

Other intangible assets

An intangible asset is recognized in the balance sheet at the original cost in case the cost can be determined reliably and it is probable that the expected economic benefit from the asset will flow to the Group. Intangible assets with a limited useful life are recognized as expenses in the income statement by straight-line depreciation over their useful life and tested for impairment if there are indications of any impairment.

The depreciation periods of other intangible assets:

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

Notes to the Consolidated Financial Statements

Intangible assets 2018

EUR thousand	Goodwill	Other intangible assets	Total
Acquisition cost, 1 January	6,562	6,990	13,553
Translation differences and other adjustments	0	7	7
Additions		58	58
Disposals		-17	-17
Acquisition cost, 31 December	6,562	7,039	13,602
Accumulated depreciation and impairment, 1 January	0	-1,995	-1,995
Translation differences and other adjustments		2	2
Depreciation for the period		-491	-491
Accumulated depreciation and impairment, 31 December	0	-2,484	-2,484
Book value, 1 January	6,562	4,996	11,558
Book value, 31 December	6,562	4,555	11,118

Notes to the Consolidated Financial Statements

Intangible assets 2017

EUR thousand	Goodwill	Other intangible assets	Total
Acquisition cost, 1 January	6,562	6,837	13,399
Translation differences and other adjustments	0	-6	-6
Additions		160	160
Acquisition cost, 31 December	6,562	6,990	13,553
Accumulated depreciation and impairment, 1 January	0	-1,477	-1,477
Translation differences and other adjustments		4	4
Depreciation for the period		-522	-522
Accumulated depreciation and impairment, 31 December	0	-1,995	-1,995
Book value, 1 January	6,562	5,360	11,923
Book value, 31 December	6,562	4,996	11,558

Notes to the Consolidated Financial Statements

Impairment testing:

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

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

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

Notes to the Consolidated Financial Statements

Impairment testing in 2018

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

During the 2018 financial period, identified intangible assets were depreciated by EUR 406,000.

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

The present values for Qt Group's assets were calculated for the five-year forecast period based on the following assumptions in the testing: net sales and operat-

ing profit for 2019 according to budget. Over the five-year forecast period, the average annual growth in net sales is 19.5 percent and terminal period growth is 1 percent thereafter, operating profit 15.0 percent and a pre-tax discount rate 12.0 percent.

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

expenses, interest rates) would result in a situation in which the value of the tested asset exceeds the recoverable amount. Based on the sensitivity analysis made, the amount of Qt Group's tested assets requires an average growth of 10 percent over the five-year forecast period, even if the costs for 2019 were allowed to grow according to the budget and moderately even after that with profitability being 3.2 percent at the end of the forecast period.

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 operat-

ing profit for 2018 according to budget. Over the five-year forecast period, average annual growth in net sales of 21.2 percent and "terminal period" growth 1 percent thereafter, operating profit 15.7 percent and a pre-tax discount rate of 12.4 percent.

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

expenses, interest rates) would result in a situation in which the value of the tested asset exceeds the recoverable amount. Based on the sensitivity analysis made, the amount of Qt Group's tested assets requires an average growth of 10 percent 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 percent at the end of the forecast period.

Notes to the Consolidated Financial Statements

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

EUR thousand	Machinery and equipment 2018	Machinery and equipment 2017
Acquisition cost, 1 January	2,255	1,393
Translation differences and other adjustments	13	-28
Increases	751	890
Disposals	-94	
Acquisition cost, 31 December	2,925	2,255
Accumulated depreciation and impairment, 1 January	-1,173	-826
Translation differences and other adjustments	42	46
Depreciation for the period	-581	-393
Accumulated depreciation and impairment, 31 December	-1,713	-1,173
Book value, 1 January	1,082	567
Book value, 31 December	1,212	1,082

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

EUR thousand	Machinery and equipment 2018	Machinery and equipment 2017
Acquisition cost and increases	1,395	1,175
Accumulated depreciation	-794	-516
Book value, 31 December	601	659

Notes to the Consolidated Financial Statements

14. DEFERRED TAX ASSETS AND LIABILITIES**Changes in deferred tax during 2018:**

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

Changes in deferred tax during 2017:

EUR thousand	1.1.2017	Recognized 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	293	58	311
Other items	0	-34	6
Total	293	24	317

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, 2018 were EUR 2,811 thousand (1,983), and they were related to confirmed losses that will expire in 2027–2029.

Notes to the Consolidated Financial Statements

15. TRADE AND OTHER RECEIVABLES

EUR thousand	2018	2017
Trade receivables	9,398	7,829
Lease security deposits	81	189
Accrued income	2,094	1,605
VAT receivable	446	726
Other receivables	1,548	596
Total	13,566	10,947

EUR thousand	2018	2017
Undue trade receivables	6,657	5,174
Trade receivables 1–30 days overdue	1,166	1,130
Trade receivables 31–60 days overdue	774	839
Trade receivables over 60 days overdue	801	687
Total	9,398	7,829

The Group has recognized a credit loss provision of EUR 666,000 in trade receivables in the 2018 financial statements (2017: EUR 305,000). The carrying amount of the trade receivables is a moderate estimate of their fair value.

Notes to the Consolidated Financial Statements

16. CASH AND CASH EQUIVALENTS

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

EUR thousand	2018	2017
Bank accounts	9,702	11,693
Total	9,702	11,693

17. NOTES TO SHAREHOLDERS' EQUITY

	Number of shares	Share capital (EUR thousand)
1 January 2018	23,792,312	500
31 December 2018	23,792,312	500

Share capital

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

Translation difference

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

Unrestricted shareholders' equity reserve

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

Treasury shares

The company did not hold any treasury shares during the 2018 financial period.

Notes to the Consolidated Financial Statements

18. SHARE-BASED PAYMENTS

The Group has a share-based incentive scheme where payments are made in equity instruments. The stock option 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 recognized as expenses evenly during the vesting period. The impact of these arrangements on the financial results is shown under personnel expenses with retained earnings as the counter-item.

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

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 pre-condition 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 December 2019–31 December 2022
Vesting conditions	Development of Qt Group Plc's share price
Execution	As shares
Persons (31 December 2018)	17

Effect of option programme on the net profit

EUR thousand	2018	2017
Option programme 2016–2019	422	422
Total	422	422

Notes to the Consolidated Financial Statements

19. SHORT-TERM LIABILITIES

EUR thousand	2018	2017
Finance lease liabilities	391	287
Accounts payable	1,007	1,375
Advances received	11,884	9,058
Accrued charges and deferred credits	4,664	3,886
Other liabilities	719	1,102
Total	18,665	15,707

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

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

Besides the aforementioned, EUR 1,143 thousand of the advances received have been presented in Other long-term liabilities due to their maturity.

Notes to the Consolidated Financial Statements

20. FINANCIAL LIABILITIES AND FINANCIAL RISK MANAGEMENT

Financial liabilities are initially measured at fair value. Financial liabilities are subsequently measured at cost allocated using the effective rate method. Financial liabilities are included in long- and short-term liabilities. Financial liabilities are 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 EUR thousand	2018		2017		Fair value hierarchy
	Asset values	Fair values	Asset values	Fair values	
Long-term					
Finance lease liabilities	239	239	399	399	2
Total	239	239	399	399	
Short-term					
Finance lease liabilities	391	391	287	287	2
Total	391	391	287	287	

All of the financial liabilities are denominated in euros.

Fair value hierarchy

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

Notes to the Consolidated Financial Statements

Maturity of liabilities**2018**

EUR thousand	2019	2020	2021	Total
Finance lease liabilities	391	189	50	630
Total	391	189	50	630

2017

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

Notes to the Consolidated Financial Statements

Financial risk management

The Group is exposed to certain financial risks during the normal course of its business. The Group's management regularly monitors the financial risks associated with business operations. The objective of the Group's risk management is to 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 recognized for trade receivables when there is objective evidence that the receivables will not be received in full under the original terms and conditions. A sufficient provision was made for uncertain accounts receivable at the end of the fiscal period. The maturity breakdown of trade receivables is presented in Note 15. Trade and other receivables.

Foreign exchange rate risk:

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

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

Liquidity risk:

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.

Interest rate risk:

The Group does not have significant interest-bearing liabilities.

Notes to the Consolidated Financial Statements

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

EUR thousand	2018	2017
Pledges given on own behalf		
Corporate mortgage		0
Guarantees	527	492
Total	527	492
Pledges given on behalf of subsidiaries and other Group companies		
Guarantees	0	48
Total	0	48
Other leases		
Lease liabilities maturing within one year	1,589	1,505
Lease liabilities maturing within one to five years	3,907	1,470
Total	5,496	2,975
Pledges, mortgages and contingent liabilities total	6,023	3,515

Notes to the Consolidated Financial Statements

22. TRANSACTIONS WITH RELATED PARTIES

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

The Group's parent company and subsidiary relationships are as follows
Group companies 31 December 2018

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

* The company did not engage in business operations

** A branch of The Qt Company Oy in Japan

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

EUR thousand		1.1.–31.12. 2018	1.1.–31.12. 2017
Varelius Juha	President and CEO	631	577
Ingman Robert	Chairman of the Board of Directors	72	73
Uhari Tommi	Vice Chairman of the Board of Directors	52	52
Rossi Matti*	Member of the Board of Directors	9	36
Saarinen Leena	Member of the Board of Directors	37	38
Öistämö Kai*	Member of the Board of Directors	9	36
Koppinen Jaakko**	Member of the Board of Directors	27	0
Marsio Mikko**	Member of the Board of Directors	27	0
Total		864	811

* Member of the Board until March 13th 2018

** Member of the Board since March 13th 2018

Management's employee benefits

EUR thousand	2018	2017
Salaries and other short-term employee benefits	1,560	1,356
Share-based incentive schemes	422	422
Total	1,982	1,779

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	2018	2017
Net sales		483,016.54	1,169,692.97
Personnel expenses	1	-737,045.84	-654,238.85
Depreciation and amortization	2	0.00	-82,768.11
Other operating expenses	3	-596,722.43	-1,001,148.97
Operating profit		-850,751.73	-568,462.96
Financial expenses	4	-755.55	-204,335.20
Earnings before tax		-851,507.28	-772,798.16
Income taxes		0.00	0.00
Net profit		-851,507.28	-772,798.16

Parent company's balance sheet (FAS)

EUR	Notes	31.12.2018	31.12.2017
Non-current assets			
Intangible assets			
Intangible rights	5	0.00	0.00
Total		0.00	0.00
Investments			
Holdings in group companies	6	17,406,928.24	10,256,928.24
Long-term receivables from group companies	6	0.00	2,000,000.00
Total		17,406,928.24	12,256,928.24
Non-current assets total			
		17,406,928.24	12,256,928.24
Current assets			
Accounts receivable from group companies		2,049,359.79	1,450,419.28
Current receivables from group companies		0.00	5,150,000.00
Other receivables		49,440.53	40,953.97
Cash in hand and at banks		1,206,346.30	2,720,472.91
Total		3,305,146.62	9,361,846.16
Total assets			
		20,712,074.86	21,618,774.40

EUR	Notes	31.12.2018	31.12.2017
Shareholders' equity			
Share capital	7	500,000.00	500,000.00
Unrestricted shareholders' equity reserve	7	24,036,509.55	24,036,509.55
Retained earnings		-3,561,144.15	-2,788,345.99
Net profit	7	-851,507.28	-772,798.16
Total		20,123,858.12	20,975,365.40
Short-term liabilities			
Loans from financial institutions		53,200.78	44,983.15
Accounts payable		124,158.75	173,081.78
Other liabilities	8	410,857.21	425,344.07
Accrued charges and deferred credits		588,216.74	643,409.00
Total			
Total shareholders' equity and liabilities			
		20,712,074.86	21,618,774.40

Parent company's cash flow statement FAS

EUR	2018	2017
Net profit before tax	-851,507.28	-772,798.16
Adjustments to net profit	755.55	287,103.44
Change in working capital	-662,619.33	-1,093,184.84
Interest paid	-755.55	-204,335.20
Cash flow from financial items and taxes	-755.55	-204,335.20
Cash flow from operations	-1,514,126.61	-1,783,214.76
Loans granted	0.00	-5,150,000.00
Cash flow from investments	0.00	-5,150,000.00
Repayments of current loans	0.00	-6,000,000.00
Rights offering	0.00	15,316,300.85
Cash flow from financing	0.00	9,316,300.85
Change in cash and cash equivalents	-1,514,126.61	2,383,086.09
Cash and cash equivalents at beginning of period	2,720,472.91	337,386.82
Cash and cash equivalents at end of period	1,206,346.30	2,720,472.91

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

Basic information on the company

Qt Group Plc is the parent company of Qt Group, and its domicile is Espoo and its registered address is Bertel Jungin aukio D 3 A, FI-02600 Espoo, Finland. Qt Group Plc's subsidiary responsible for its operations in Finland is The Qt Company Oy. Qt Group Plc was formed as a result of the partial demerger of Digia Plc, which took effect on 1 May 2016.

Accounting policies applied in the financial statements

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

Pension arrangements

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

Taxes

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

Tangible and intangible assets

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

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

Cash and cash equivalents and loans from financial institutions

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

Shareholders' equity and dividends

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

Notes to the parent company financial statements FAS

1. Information on personnel and related parties

EUR	2018	2017
Wages and salaries	657,896.12	586,000.58
Pension expenses	72,583.73	62,766.21
Other personnel expenses	6,565.99	5,472.06
Total	737,045.84	654,238.85

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 amortization

EUR	2018	2017
Planned depreciation		
Intangible assets	0.00	82,768.11
Total	0.00	82,768.11

3. Other operating expenses

EUR	2018	2017
IT expenses	112,189.94	227,253.61
Expert services	243,087.23	555,221.92
Other expenses	241,445.26	218,673.44
Total	596,722.43	1,001,148.97

Auditor's fees

Audit	17,126.19	14,000.00
Other services	28,383.00	17,515.00
Total	45,509.19	31,515.00

The company's auditor for 2017 and 2018 was KPMG Oy Ab.

4. Financial income and expenses

EUR	2018	2017
Interest expenses for loans from financial institutions	755.55	204,335.20
Total	755.55	204,335.20

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

Notes to the parent company financial statements

5. Intangible assets

EUR	Intangible rights 2018
Acquisition cost, 1 January	527,199.54
Increases	0.00
Acquisition cost, 31 December	527,199.54
Accumulated depreciation and impairment, 1 January	-527,199.54
Depreciation and amortization	0.00
Accumulated depreciation and impairment, 31 December	-527,199.54
Book value, 1 January	0.00
Book value, 31 December	0.00

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
Depreciation and amortization	-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

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

Notes to the parent company financial statements

6. Investments**Holdings in group companies**

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

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

Itemization of shares

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

Long-term receivables from group companies

EUR	2018	2017
Long-term loan receivables	0.00	2,000,000.00
Total	0.00	2,000,000.00

Notes to the parent company financial statements

7. Changes in shareholders' equity

EUR	2018	2017
Share capital, 1 January	500,000.00	500,000.00
Share capital, 31 December	500,000.00	500,000.00
Unrestricted shareholders' equity reserve, 1 January	24,036,509.55	8,720,208.70
Rights offering	0.00	15,316,300.85
Unrestricted shareholders' equity reserve, 31 December	24,036,509.55	24,036,509.55
Retained earnings	-3,561,144.15	-2,788,345.99
Net profit (loss)	-851,507.28	-772,798.16
Total shareholders' equity	20,123,858.12	20,975,365.40
Calculation of distributable funds		
Unrestricted shareholders' equity reserve	24,036,509.55	24,036,509.55
Retained earnings	-3,561,144.15	-2,788,345.99
Net profit (loss)	-851,507.28	-772,798.16
Total distributable funds	19,623,858.12	20,475,365.40

Notes to the parent company financial statements

8. Accrued charges and deferred credits

EUR	2018	2,017
Accrued charges and deferred credits to group companies	350,000.00	350,000.00
Personnel expense allocations	53,328.05	74,896.08
Other accrued charges and deferred credits	7,529.16	447.99
Total	410,857.21	425,344.07

Board of Directors dividend proposal

Parents company's net result showed a loss of EUR 851,507.28. 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 2018.

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

Espoo, 14 February 2019



Robert Ingman

Chairman of the Board of Directors



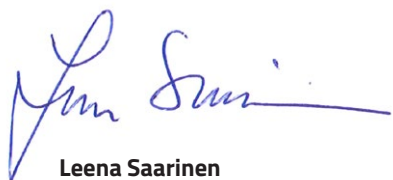
Tommi Uhari

Vice Chairman of the Board of Directors



Jaakko Koppinen

Member of the Board of Directors



Leena Saarinen

Member of the Board of Directors



Mikko Marsio

Member of the Board of Directors



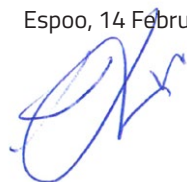
Juha Varelius

President and CEO

Auditors' note

The report of the audit has been issued today.

Espoo, 14 February 2019



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 31 December, 2018. 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 a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional 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 conse-

quences 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 demerger from Digia Plc. Our appointment as auditors of Digia Plc represents a total period of uninterrupted engagement since 2015.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the

financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki, February 14, 2019
KPMG OY AB

Kim Järvi
Authorized Public Accountant, KHT

Corporate Governance Statement 2018

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 company's operating and financial review.

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

Shareholders' Meeting

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

company share entitles the holder to one vote at the Shareholders' Meeting.

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

The Finnish Limited Liability Companies Act and the company's Articles of Association define the responsibilities and duties of the Shareholders' Meeting. Extraordinary General Meetings decide on the matters for which they have been specifically convened.

Board of Directors

Operations and duties

Elected by the Shareholders' Meeting, the Board of Directors is in charge of company administration and the appropriate organization 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 2018.

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

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

In addition, the Board's agenda:

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

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

Board of Directors



Robert Ingman

b. 1961, M.Sc. (Eng.), M.Sc. (Econ.)

Chairman of the Board of Directors of Qt Group Plc since 2016. Member of the Compensation and Nomination Committee. Full-time Chairman of the Board of Ingman Group Oy Ab. His previous posts include Managing Director at Arla Ingman Oy Ab (2007–2011) and Ingman Foods Oy Ab (1997–2006). Chairman of the Board of Etteplan Oyj, Halti Ltd, Digia Plc, and M-Brain Ltd. Member of the Board of Evli Pankki Plc.



Leena Saarinen

b. 1960, M.Sc. (Food technology)

Member of the Board of Directors of Qt Group Plc since 2016. Chairman of the Compensation and Nomination Committee. Currently works as a board professional, holding Board chairman or Board member roles in various companies, including Palmia Ltd, Arcus ASA, Handelsbanken Finland and Etteplan Oyj. Her previous posts include Managing Director at Suomen Lähikauppa Ltd (2007–2010), President and CEO at Altia Corporation (2005–2007) and various positions at Unilever (1990–2005). Member of the Directors' Institute of Finland.



Tommi Uhari

b. 1971, M.Sc. (Eng.)

Vice Chairman of the Board of Directors of Qt Group Plc since 2016. Chairman of the Audit Committee and member of the Compensation and Nomination Committee. Currently serves as Partner and Board member of Karma Ventures and holds board member and strategic advisor roles in various companies. Co-founder and CEO at Uros Ltd (2011–2015). His previous posts include management team member of ST Microelectronics (2006–2010), various managerial positions at ST's joint ventures ST-NXP Wireless and ST-Ericsson (2008–2010), head of ST's Wireless Business Unit (2006–2008) and Director of Nokia Wireless and SW platforms units at Nokia (1999–2006).



Jaakko Koppinen

b. 1969, M.Sc. (Eng.)

Member of the Board of Directors of Qt Group Plc since 2018. Jaakko Koppinen is Global Division President and member of the Board at Sandvik Mining and Construction Oy. He previously served as Managing Director of Orica Finland Oy (2016–2017), and as General Manager of Wihuri Oy Witraktor (2012–2015). He also has held several senior management roles at Konecranes Plc (2008–2012) and at Sandvik Group (1995–2008).



Mikko Marsio

b. 1971, M.Sc. (Eng.)

Member of the Board of Directors of Qt Group Plc since 2018. Currently works as Digital Lead / SVP in Process Industries unit at ABB. His previous posts include various managerial positions e.g. at Empower Group (2016–2017), Dovre Group Plc (2012–2015), Hewlett-Packard (2005–2008) and Fortum Plc (1996–2001).

Composition of Board of Directors

During the financial year 2018, 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 shares
Jaakko Koppinen**	M.Sc. (Eng.)	1969	President, Sandvik Mining and Construction Oy	0
Mikko Marsio**	M.Sc. (Eng.)	1971	SVP, Process Industries unit at ABB	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	410,620
Matti Rossi***	Ph.D.	1966	Professor, Docent	0
Kai Öistämö***	D.Sc. (Tech.), M.Sc. (Eng.)	1964	COO, InterDigital, Inc.	11,280

* Company shares and share-based rights held directly or through legal entities under person's control as per 31 December 2018.

** Member of the Board since March 13th 2018

*** Member of the Board until March 13th 2018

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

Of the aforementioned Members of the Board, Jaakko Koppinen, Mikko Marsio, Leena Saarinen and Tommi Uhari are independent of the company and its major shareholders. Robert Ingman is independent of the company.

During the financial year 2018, the Board of Directors held 9 meetings. The participation rate into the meetings was the following.

Member	PARTICIPATION
Robert Ingman (Chairman)	9/9
Jaakko Koppinen	7/7
Mikko Marsio	7/7
Leena Saarinen	8/9
Tommi Uhari	9/9
Matti Rossi	2/2
Kai Öistämö	2/2
Total	98 %

Committees of the Board of Directors

The company's Board of Directors had two (2) committees in financial year 2018: 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 2018, the members of the Compensation and Nomination Committee and their participation rate into the meetings were as follows:

Member	PARTICIPATION
Robert Ingman	4/4
Leena Saarinen (Chairman)	4/4
Tommi Uhari	4/4
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 2018, the members of the Audit Committee and their participation rate into the meetings were as follows:

Member	PARTICIPATION
Jaakko Koppinen	3/3
Mikko Marsio	3/3
Tommi Uhari (Chairman)	4/4
Matti Rossi	1/1
Kai Öistämö	1/1
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 the CEO's proposal, confirms the appointment of Management Team members and the 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 authorized by the Board of Directors. The CEO is not a member of the Board of Directors but attends Board meetings.

During the financial year 2018, 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	280,776 shares
Mika Harjuaho	M.Sc. (Econ.)	1966	Chief Financial Officer	5,000
Petteri Holländer	M.Sc. student (Eng.)	1974	SVP, Product Management	5,134
Lars Knoll	Ph.D. in Physics	1971	Chief Technology Officer	0
Katja Kumpulainen	eMBA	1973	SVP, Marketing	0
Juhapekka Niemi	M.Sc. (Computer Sciences)	1968	EVP, Sales and Business Development	30,211
Mika 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 31.12.2018.

On 31 December 2018 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

b. 1963, Master of Economic Sciences

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



Juhapekka Niemi

b. 1968, Information Technology Engineer

Executive Vice President of Qt Group Plc since 2016. Previously acted as Chief Business Officer at Digia Oyj (2013–2016) as well as in various managerial and directorial positions at Nokia Oyj (2000–2013).



Mika Harjuaho

b. 1966, Master of Economic Sciences

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



Katja Kumpulainen

b. 1973, eMBA

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



Lars Knoll

b. 1971, Doctor of Physics

Chief Technology Officer of Qt Group Plc since 2016. Previously acted as Chief Technology Officer at Digia Oyj (2012–2016), Chief Software Architect (2010–2012) and as Chief Research and Development Officer (2008–2010) at Nokia Oyj. Prior to this, Knoll has worked with Qt in various positions at Trolltech ASA. Knoll is a citizen of Germany.



Mika Pälsi

b. 1970, Master of Laws

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



Petteri Holländer

b. 1974, M.Sc. student (Eng)

Senior Vice President, Product Management of Qt Group Plc since 2016. Previously acted as Chief Product Officer, Business Development Officer and in other managerial positions at Digia Oyj and its predecessors (2001–2016), and as Product Development Officer at Sonera SmartTrust Oy (1999–2001).



Tuukka Turunen

b. 1974, Master of Science in Technology, Licentiate in Technology

Senior Vice President, Research and Development of Qt Group Plc since 2016. Previously acted in various managerial and directorial positions at Digia Oyj (2001–2016), as a software developer at Nokia Matkapuhelimet Oy (1997–1998) and in teaching and research positions at the University of Oulu (1996–1997 and 1998–2000).

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 centralized control over the Group's funding and asset management, and is in charge of managing interest rate and currency risk.

Internal risk control

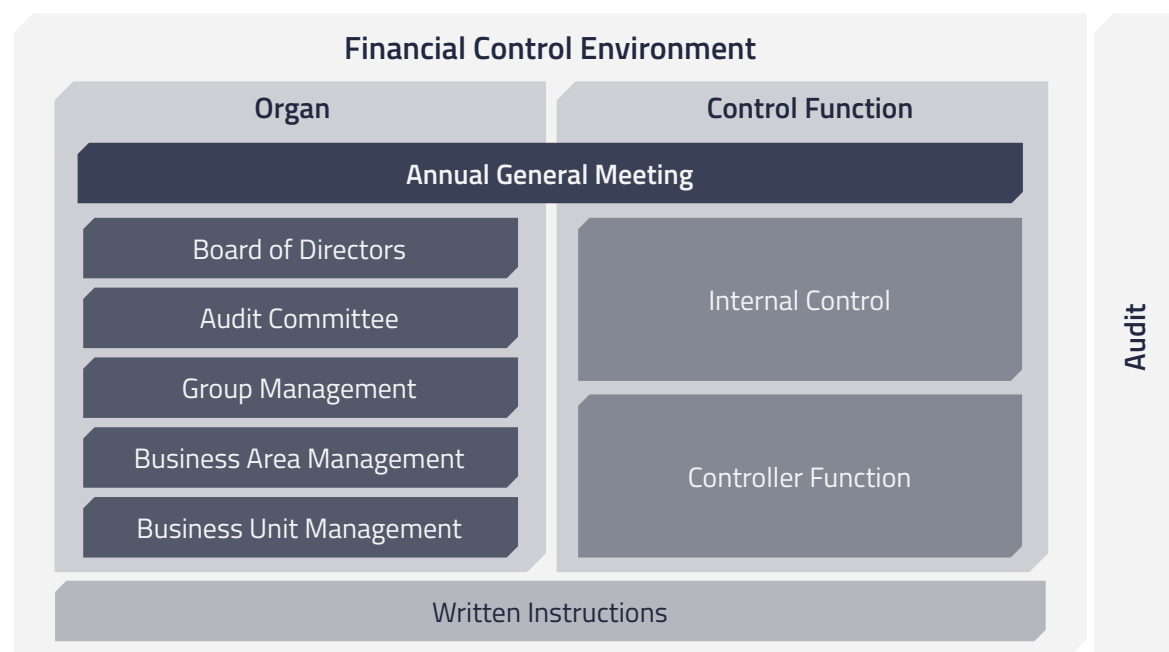
As a general principle, authorization is distributed in the company in such a way that no individual may independently perform measures unbeknown to at least one other individual. For example, the company's bookkeeping and asset management are managed by separate persons, and two authorized persons are 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 organizational 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 2018, the auditor's fees for auditing services was 46,600 euros and 33,000 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.

B) Key Remuneration Principles

Remuneration of the Board of Directors

The 2018 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 percent of his annual base salary. Upon exceeding the said target, the bonus will increase as follows: 30% of each euro that exceeds the net sales target

is used for the CEO's and other company personnel's bonus rewards including social costs. The maximum bonus for the CEO under the bonus scheme is 120 percent of his annual base salary. However, no bonus shall be paid if the company's operating profit is below the set minimum level. 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 eight (8) 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 1,010,167 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 percent of the individual's annual base salary.

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

Under the company's 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.

* In the fiscal year 2018 the Group Management Team comprised seven (7) members in addition to CEO. Helena Telaranta started as SVP, Human Resources and as a member of the management team as of 14 January 2019.

C) Remuneration Report*

Remuneration of the Board of Directors

In fiscal year 2018, the members of the Board of Directors were paid remuneration for their work on the Board and its Committees as follows:

Name	Monetary remuneration/EUR	Share-based remuneration/EUR	Total/EUR
Robert Ingman	72,000	-	72,000
Jaakko Koppinen	27,000	-	27,000
Mikko Marsio	27,000	-	27,000
Leena Saarinen	37,000	-	37,000
Tommi Uhari	52,000	-	52,000
Matti Rossi	9,500	-	9,500
Kai Öistämö	9,000	-	9,000
Total	233,500	-	233,500

Remuneration of the President and CEO

In fiscal year 2018, the President and CEO was paid salary and other benefits as follows:

Name	Salary (including fringe benefits) EUR	Bonus EUR	Share based part of bonus EUR	Total EUR
Juha Varelius	305,364	138,358	-	443,722

Remuneration of Other Executives

The company has a Management Team, which comprises in the fiscal year 2018 of 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 2018, the other executives (excluding the CEO) were paid salaries (including fringe benefits) and other benefits as follows:

Name	Salary (including fringe benefits) EUR	Bonus EUR	Share based part of bonus EUR	Total EUR
Other management (7 persons)	868,168	322,282	-	1,190,451

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 Thursday, 14th March 2019 at 10:00 a.m. at Jugend Hall, GLO Hotel Art, address Lönnrotinkatu 27, 00180 Helsinki. More information on registering for the AGM and the AGM documents are available at investors.qt.io.

Financial calendar 2019

15 February	Financial statements bulletin for 2018 and annual report
25 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

IR Contact

Mika Harjuaho, CFO
Tel. +358 9 8861 8040
E-mail: pr@qt.io

Head office

Qt Group Plc (The Qt Company)
Bertel Jungin aukio D3A
02600 Espoo, Finland



Qt Group Oyj (The Qt Company) / Bertel Jungin aukio D3A, 02600 Espoo / +358 9 8861 8040 / info@qt.io / www.qt.io