



Qt 6

The Future
is Written
with Qt

Annual Report 2020

In the 2 year development phase of the Clarius HD range, we saved 6 months of the development cycle and 500 hours of developer working time with Qt.

Kris Dickie
HEAD OF R&D
Clarius Mobile Health



[Qt.io/clarius-built-with-qt](https://qt.io/clarius-built-with-qt)

Clarius HD Range, kannettavat ultraäänilaitteet

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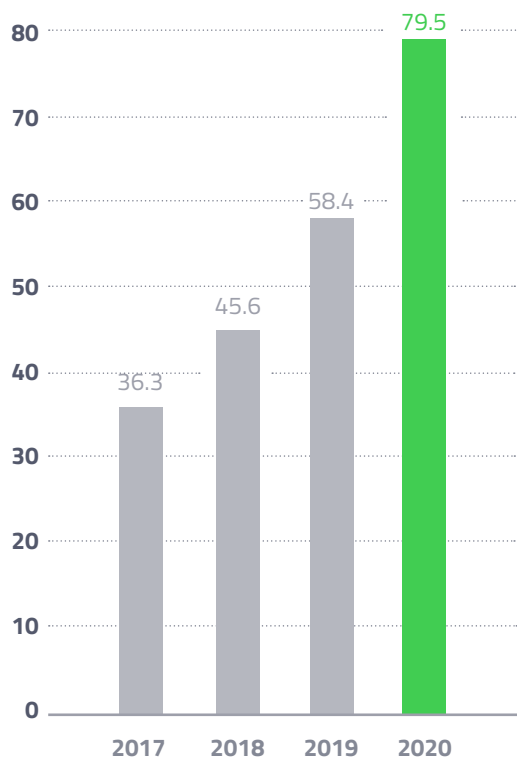
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Qt Group in 2020

NET SALES
MEUR

79.5

* 58.4



17,017

OPERATING RESULT

EUR THOUSAND

* 219

21.4%

OPERATING MARGIN

% OF NET SALES

* 0.4%

63.6%

RETURN ON INVESTMENT

* 1.1%

66.6%

EQUITY RATIO

* 54.3%

0.53

EARNINGS PER SHARE

EUR

* -0.01

348

PERSONNEL ON AVERAGE

* 331

* 2019

Listed on Nasdaq OMX Helsinki since 2 May 2016.

President and CEO's review

Proceeding according to our strategy – growth of almost 38% exceeded our expectations

Qt Group's business continued its extremely strong growth in 2020 despite the challenges set by the coronavirus epidemic. We exceeded expectations. Our net sales grew at comparable exchange rates almost by 38% to MEUR 79.5 and operating result to MEUR 17.0. The number of employees increased by 26 to 366.

Profitable business growth was our goal for 2020. In order to ensure growth, we open-mindedly started to look for new ways of selling and marketing in this exceptional situation.

As a global company, we are used to digital operating models, but the coronavirus epidemic brought us to a completely new level in terms of using digitalization in different areas of our business operations. Our personnel adapted to remote working flexibly, we invested strongly in digital marketing and recruitment, and we implemented our customer and developer events virtually in cooperation with our partners. We took a huge digital leap, and we will never return to our old operating models.



Our virtual events, such as the traditional Qt World Summit, were successful. They were visited by tens of thousands of registered participants in more than 160 different countries. Our virtual events offered our customers around the world an opportunity to share their experiences and discuss the use of Qt technology with other customers, partners and developers. Our customers, such as Ford, Schrödinger, Esri, Tableau, Microsoft and Autodesk, provided content for the discussions. In the future, virtual events will continue to play a great role in addition to physical presence events.

Regardless of the strong growth, our sales of distribution licenses did not achieve the targets set during 2020. The coronavirus epidemic closed down production plants around the world and logistics chains suffered from a lack of components, which affected the manufacture of Qt-based products. Customers also cancelled their projects and deadlines were moved forward. We successfully compensated for the decline in distribution license sales by increasing developer license sales more than expected and previously estimated. Similarly, consulting services sales developed favorably. Our distribution license agreements are long-term agreements, which means that once the coronavirus epidemic ends, distribution license sales will return to a normal growth path.

Our sales were boosted by the large investment in our own global sales organization in 2016. Our sellers operate locally, close to our customers, and received first-hand information on their needs. Our customers expressed their satisfaction with

We are currently in a strong position to achieve our goals for 2025.

our work in the customer satisfaction survey: 94% of respondents said that Qt either met or exceeded the set ROI expectations.

The highlight of the year was the launch of our new software development platform version Qt 6.0 in December. Its redesigned architecture offers a more harmonized foundation and tools for more productive and scalable software development and next-generation customer experience. Qt 6.0 includes new tools for more advanced 2D and 3D graphic design and more efficient coding that enables smartphone-typed user interfaces even in the most affordable devices.

Another significant change was the adoption of the recurring invoicing model for developer license pricing, which follows the software industry trend. In this model, the customer pays a fixed annual fee for the right to use the software and customer support. This license pricing model change is partly related to

the launch of Qt 6. The Qt 6 deployment requires a license with recurring invoicing. We expect the license update to have a positive impact on developer license net sales in 2021–2023. We are offering our existing customers a flexible transition to the new pricing model within the following three years.

In March, we published our company's new strategy period for 2022–2025. As in the previous period, we will continue on a strong growth path. We target a minimum of 15% annual growth in net sales during the strategy period and a minimum EBIT margin of 15%, which will exceed 20% towards the end of the period. We are currently in a strong position to achieve our goals for 2025.

I would like to thank all of our customers and partners for their cooperation and commitment to Qt during this exceptional year. A special thanks to our personnel for adapting so quickly and flexibly to remote work and new operating models. I would also like to thank our shareholders for their trust in our strategy and our ability to implement it.

Juha Varelius
President and CEO
Qt Group Plc

Board of Directors' Report

Summary of fiscal year 2020

- Net sales increased by 36.1 percent to EUR 79,455 thousand (58,373)*. At comparable exchange rates, net sales increased by 37.7 percent.
- Net sales of distribution licenses grew by 4.8 percent to EUR 15,255 thousand (EUR 14,556).
- The operating result was EUR 17,017 thousand (219).
- The operating margin (EBIT-%) was 21.4 percent (0.4%).
- Earnings per share were EUR 0.53 (-0.01).

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

Fiscal year 2020

NET SALES

Full-year net sales for 2020 increased by 36.1 percent year-on-year and amounted to EUR 79,455 thousand (EUR 58,373 thousand). License sales and consulting grew by 46.9 percent, while maintenance revenue increased by 11.7 percent. As part of license sales and consulting, the net sales of distribution licenses grew by 4.8 percent to EUR 15,255 thousand (14,556). The effect of exchange rates on the comparison period's net sales was EUR -662 thousand and at comparable exchange rates, net sales increased by 37.7 percent.

PROFIT PERFORMANCE

The operating result for the financial year was EUR 17,017 thousand (EUR 219 thousand). The company's operating expenses, including materials and services, personnel expenses, depreciation and other operating expenses, amounted to EUR 62,901 thousand (EUR 59,434 thousand), up 5.8 percent year-on-year. Personnel expenses accounted for 67.0 percent (66.2%) of operating expenses, or EUR 42,140 thousand (EUR 39,359 thousand). Expenses for the period under review were particularly increased by subcontracting costs, which were allocated on consulting and product development, higher salary expenses driven by increased number of personnel and a performance-based bonus scheme for revenue growth. Travel and marketing expenses were lower than in the comparison period.

The other operating income includes income from events held and tax-free research and development investment grants received by the company in Norway, totalling approximately EUR 222 thousand (EUR 351 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 2020.

The company's net financial expenses for the financial year amounted to EUR 657 thousand (EUR 102 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 financial year totaled EUR 16,360 thousand (EUR 117 thousand) and the result was EUR 12,826 thousand (EUR -352 thousand). Taxes for the period under review amounted to EUR 3,534 thousand (EUR 469 thousand).

Earnings per share for the financial year totaled EUR 0.53 (EUR -0.01).

FINANCING AND INVESTMENTS

Cash flow from operating activities during the financial year was EUR 12,745 thousand (EUR 6,110 thousand) due to positive result. Qt's cash and cash equivalents totaled EUR 22,046 thousand (EUR 11,944 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 61,416 thousand (EUR 49,996 thousand). Net cash flow from investments in the financial year was EUR -630 thousand (EUR -465 thousand).

The equity ratio was 66.6 percent (54.3%) and gearing was -64.9 percent (-46.4%). Interest-bearing liabilities amounted to EUR 2,655 thousand (EUR 4,081 thousand) of which short-term loans accounted for EUR 1 282 thousand (EUR 1,625 thousand).

The return on investment for the financial year was 63.6 percent (1.1%) and return on equity was 54.8 percent (-2.0%).

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 13,601 thousand (EUR 12,865 thousand), accounting for 17.1 percent (22.0%) of net sales. Product development expenses increased by 5.7 percent year-on-year.

There were on average 117 people working in product development during the financial year (119).

PERSONNEL

The number of Group personnel was 348 (331) on average during the financial year and 366 (340) at the end of the financial year. At the end of the financial year, international personnel represented 73 percent (71%) of the total.

Personnel expenses totaled EUR 42,140 thousand (EUR 39,359 thousand) during the financial year, up 7.1 percent.

The geographical distribution of personnel:

Personnel	1-12/2020	1-12/2019	Change, %
(in an employment relationship, on average)			
Finland	96	95	1%
Rest of Europe & APAC	199	185	8%
North America	54	51	5%
Group total	348	331	5%

Share and shareholders

At the end of the financial year, the Group held 306,250 treasury shares accounting for 1.25 percent of the total number of listed shares.

On December 31, 2020, the number of Qt Group Plc outstanding shares was 24,218,340 (23,661,062).

According to Euroclear Finland Ltd, the company had 14,529 shareholders on December 31, 2020.

The company received the following flagging notifications during the fiscal year 2020:

- Qt Group Plc has been notified on 19 May 2020 of a change in the ownership: The overall holding of Qt Group Plc's shares and voting rights within the funds managed by Ilmarinen Mutual Pension Insurance Company crossed below 10% flagging threshold. Ownership has changed on 19 May 2020.
- Qt Group Plc has been notified on 14 October 2020 of a change in the ownership: The overall holding of Qt Group Plc's shares and voting rights within the funds managed by Aktia Fund Management Company Ltd. crossed below 5% flagging threshold. Ownership has changed on 14 October 2020.
- Qt Group Plc has been notified on 21 December 2020 of a change in the ownership: The overall holding of Qt Group Plc's shares and voting rights within the funds managed by Ilmarinen Mutual Pension Insurance Company crossed below 5% flagging threshold. Ownership has changed on 18 December 2020.

Share price and turnover

Qt Group Plc's share (trading code: QTCOM) is traded on the Nasdaq Helsinki stock exchange. A total of 11,194,084 shares changed hands during the reporting period. This accounts for 45.6 percent of the total number of shares. The volume-weighted average price of the share was EUR 31.71, with the lowest price being EUR 15.60 (March 13, 2020) and the highest price EUR 58.80 (December 29, 2020). The closing price at the end of December was EUR 57.60 per share, and Qt Group's market capitalization was EUR 1,412.6 million.

THE TEN LARGEST SHAREHOLDERS ON DECEMBER 31, 2020

Shareholder	Percentage of shares and votes
Ingman Development Oy Ab	21.0%
Nordea Bank Abp	10.2%
Skandinaviska Enskilda Banken Ab (Publ) Helsinki Branch	7.8%
Ilmarinen Mutual Pension Insurance Company	4.8%
Varma Mutual Pension Insurance Company	4.5%
Karvinen Kari Juhani	3.2%
Savolainen Matti Ilmari	2.6%
Evli Finnish Small Cap Fund	2.0%
Aktia Capital Investment Fund	1.7%
Uhari Tommi Markus	1.7%

DISTRIBUTION OF HOLDINGS

BY NUMBER OF SHARES HELD ON DECEMBER 31, 2020

Number of shares	Shareholders	Percentage of shares and votes
1–100	62.1%	1.4%
101–1,000	31.7%	6.1%
1,001–10,000	5.5%	8.3%
10,001–100,000	0.6%	10.9%
100,001–1,000,000	0.2%	24.9%
1,000,001–9,999,999	0.0%	48.4%

SHAREHOLDING BY SECTOR ON DECEMBER 31, 2020

Number of shares	Shareholders	Shares
Non-financial corporations	3.3%	27.2%
Financial and insurance corporations	0.3%	11.9%
General government	0.02%	9.5%
Not-for-profit institutions serving households	0.1%	0.5%
Households	95.9%	31.2%
Foreign holding	0.3%	0.1%
*including nominee registered	0.1%	19.6%

The number of outstanding shares at the end of the review period was 24,218,340.

Governance

Qt Group Plc's general meeting held on March 10, 2020, adopted the company's annual accounts, including the consolidated annual accounts for the accounting period January 1–December 31, 2019, and discharged the Members of the Board and the Chief Executive Officer from liability. The general meeting resolved, in accordance with the Board's proposal, that no dividend will be paid based on the balance sheet adopted for the accounting period that ended on December 31, 2019.

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

The company's Board of Directors had two (2) committees in fiscal year 2020: the Compensation and Nomination Committee and the Audit Committee. In fiscal year 2020, the Compensation and Nomination Committee was comprised of Leena Saarinen (Chairman), Robert Ingman and Tommi Uhari. The Audit Committee comprised of Tommi Uhari (Chairman), Jaakko Koppinen, and Mikko Marsio.

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

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

AUTHORIZATIONS GIVEN BY THE GENERAL MEETING

The general meeting held on March 10, 2020 granted the following authorizations to the Board of Directors of Qt Group Plc:

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

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

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

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

The shares shall be repurchased for a price based on the fair value quoted in public trading. The authorization is valid for 18 months from the issue date of the authorization, i.e. until September 10, 2021, and it replaces any earlier authorizations on the repurchase and/or acceptance as collateral of the company's own shares.

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

The general meeting authorized the Board to decide on a share issue and the granting of special rights pursuant to Chapter 10, Section 1, of the Companies Act, subject to or free of charge, in one or several tranches on the following terms. The maximum total number of shares to be issued by virtue of the authorization is 2,000,000.

The authorization concerns both the issuance of new shares and the transfer of shares held by the company. By virtue of the authorization, the Board of Directors is entitled to decide on share issues and the granting of special rights waiving the pre-emptive subscription rights of the shareholders (directed issue).

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

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

The authorization is valid for 18 months from the issue date of the authorization, i.e. until September 10, 2021, and it replaces any earlier authorizations on the granting of shares or special rights entitling to shares.

CORPORATE GOVERNANCE STATEMENT

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

Risks and uncertainties

The company's short-term risks and uncertainties are related to the potentially significant changes in the company's business operations as well as the retention and recruitment of the personnel required for business development. Furthermore, the prolongation of the coronavirus epidemic may slow down the growth of the business and affect the valuation of assets. The epidemic has not affected the valuation of assets thus far.

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

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

Group structure

Qt Group Plc's subsidiary responsible for its operations in Finland is The Qt Company Oy, with subsidiaries in Norway, Ger-

many, the United Kingdom, France, the United States, India, China and South Korea as well as a branch in Japan.

Future outlook

OPERATING ENVIRONMENT AND MARKET OUTLOOK

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

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

Sales growth associated with embedded systems will also reflect on the earnings logic. Volume-based distribution license revenue from these sales accumulates over the long term. Accordingly, it is typical of Qt as a company that quarterly net sales and growth may vary significantly between quarters. In addition to organic growth, the company also pursues growth opportunities through acquisitions that support its strategy.

The future outlook involves increased short-term uncertainty due to the coronavirus epidemic. The coronavirus epidemic has caused diverse negative impacts of varying degrees to the business of many companies globally. From the company's point of view, these impacts have mainly been visible in the form of slower growth in net sales from distribution license sales for the time being. If the epidemic continues,

these impacts on the company's operations will presumably also continue. Should it be prolonged, the negative impacts of the epidemic may also extend to the consulting services provided by the company. Going forward, in the event the company succeeds in pursuing its growth investments according to plans, associated costs will burden the development of the operating result more than in the past fiscal year.

OUTLOOK 2021

We estimate that the impacts of the COVID-19 epidemic on the general market situation as well as the company's business will continue during the first half of 2021, after which the situation will start to get better during the second half of the year. We estimate that our full-year net sales for 2021 will increase by 25–35 percent year-on-year at comparable exchange rates and our operating profit margin will be at least 15 percent.

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, 2020.

Consolidated key figures

EUR thousand	31.12.2020	31.12.2019
Net sales	79,455	58,373
Operating profit	17,017	219
- % of net sales	21.4%	0.4%
Net profit	12,826	-352
- % of net sales	16.1%	-0.6%
Return on equity %	54.8%	-2.0%
Return on investment %	63.6%	1.1%
Interest-bearing liabilities	2,655	4,081
Cash and cash equivalents	22,046	11,944
Net gearing %	-64.9%	-46.4%
Equity ratio %	66.6%	54.3%
Earnings per share, EUR	0.53	-0.01
Diluted earnings per share, EUR	0.51	

Calculation formulas for key figures

RETURN ON EQUITY

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

RETURN ON INVESTMENT:

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

GEARING

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

EQUITY RATIO

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

Financial Statements 2020

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Consolidated income statement

EUR thousand	Notes	1.1.–31.12. 2020	1.1.–31.12. 2019
Net sales	2	79,455	58,373
Other operating income	3	463	1,279
Materials and services	4	-4,484	-3,070
Personnel expenses	5, 18, 22	-42,140	-39,359
Depreciation, amortization and impairment	7	-2,432	-2,572
Other operating expenses	8	-13,845	-14,433
Operating result		17,017	219
Financial income	9	2,871	1,059
Financial expenses	9	-3,527	-1,161
Earnings before tax		16,360	117
Income taxes	10	-3,534	-469
Net profit		12,826	-352
Distribution of comprehensive income:			
Parent company shareholders		12,826	-352
Net profit attributable to parent company shareholders, earnings per share			
Undiluted earnings per share (EUR/share)	11	0.53	-0.01
Diluted earnings per share (EUR/share)	11	0.51	

Consolidated statement of comprehensive income

EUR thousand	Notes	1.1.–31.12. 2020	1.1.–31.12. 2019
Other comprehensive income			
Items which may be reclassified subsequently to profit or loss:			
Translation difference		-110	17
Total comprehensive income		12,717	-336
Distribution of comprehensive income:			
Parent company shareholders		12,717	-336

Consolidated statement of financial position

Assets

EUR thousand	Notes	31.12.2020	31.12.2019
Non-current assets			
Goodwill	12	6,562	6,562
Other intangible assets	12	3,706	4,082
Tangible assets	13	3,180	4,593
Long-term receivables		306	251
Deferred tax assets	14	683	3,463
Total non-current assets		14,438	18,952
Current assets			
Trade receivables	15	17,772	13,772
Other receivables	15	7,160	5,327
Cash and cash equivalents	16	22,046	11,944
Total current assets		46,978	31,044
Total assets		61,416	49,996

Equity and liabilities

EUR thousand	Notes	31.12.2020	31.12.2019
Shareholders' equity			
Share capital	17	500	500
Unrestricted shareholders' equity reserve	17	28,714	23,651
Own shares	17	-7,284	-1,922
Translation difference	17	431	540
Retained earnings	17, 18	-5,310	-5,477
Net profit		12,826	-352
Total shareholders' equity		29,878	16,940
Long-term liabilities			
Deferred tax liabilities	14	504	445
Long-term interest-bearing liabilities	20	1,373	2,456
Other long-term liabilities	19	2,416	1,742
Total long-term liabilities		4,292	4,643
Short-term liabilities			
Short-term interest-bearing liabilities	19, 20	1,282	1,625
Accounts payable	19	1,569	1,380
Other short-term liabilities	19	24,395	25,408
Total short-term liabilities		27,246	28,413
Total liabilities		31,538	33,056
Shareholders' equity and liabilities		61,416	49,996

Consolidated cash flow statement

EUR thousand	1.1.-31.12. 2020	1.1.-31.12. 2019
Profit before taxes	16,360	117
Adjustments to net profit		
Depreciation and amortization	2,432	2,572
Other adjustments	1,176	982
Change in working capital		
Change in trade and other receivables	-5,924	-4,838
Change in accounts payable and other liabilities	-794	7,831
Interest paid	-128	-145
Other financial items	214	209
Taxes paid	-590	-618
Cash flow from operations	12,745	6,110
Purchases of tangible and intangible assets	-630	-465
Cash flow from investments	-630	-465
Change in lease liabilities	-1,427	-1,563
Share subscriptions based on stock options 2016	5,063	0
Purchase of own shares	-5,362	-1,922
Cash flow from financing	-1,725	-3,485
Change in cash and cash equivalents	10,390	2,161
Cash and cash equivalents at beginning of period	11,944	9,702
Net foreign exchange difference	-289	82
Cash and cash equivalents at end of period	22,046	11,944

Consolidated statement of changes in shareholders' equity

EUR thousand	Share capital	Unrestricted shareholders' equity reserve	Own shares	Translation difference	Retained earnings	Total shareholders' equity
Shareholders' equity 1 January 2019	500	23,651	0	524	-6,357	18,318
Comprehensive income for the period						
Net profit					-352	-352
Stock option program and Equity incentive program			-1,922		880	-1,042
Comprehensive income				17		17
Shareholders' equity 31 December 2019	500	23,651	-1,922	540	-5,829	16,940
Shareholders' equity 1 January 2020	500	23,651	-1,922	540	-5,829	16,940
Comprehensive income for the period						
Net profit					12,826	12,826
Stock option program and Equity incentive program		5,063	-5,362		519	221
Comprehensive income				-110		-110
Shareholders' equity 31 December 2020	500	28,714	-7,284	431	7,516	29,878

Notes to the Consolidated Financial Statements

Accounting policies applied in the consolidated financial statements

BASIC INFORMATION ON THE GROUP

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

Qt has operating locations in Finland, Norway, Germany, United States, Japan, China, South Korea, France, United Kingdom and India. 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 366 employees at the end of 2020.

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 judgment 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 2020.

Qt Group has applied the IFRS 16 Leases standard effective from January 1, 2019. A simplified method was used for the transition and as a result of the standard Group recognized principally non-cancellable leases relating to the office premises on the balance sheet.

The IFRS standards and amendments that took effect in 2020 did not have material impact on the result or the financial position of the Group or on the presentation of the financial statements.

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

Consolidation principles

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

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

Notes to the Consolidated Financial Statements

FOREIGN CURRENCY TRANSLATION

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

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

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

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

Estimates and assumptions regarding the future have to be made during the preparation of the financial statements, and the outcome may differ from the estimates and assumptions. Furthermore, the application of accounting policies requires consideration. These estimates and assumptions are based on

historical experience and other justifiable assumptions that are believed to be reasonable under the circumstances and that serve as a foundation for evaluating the items included in the financial statements.

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

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

CRUCIAL FACTORS OF UNCERTAINTY ASSOCIATED WITH ESTIMATES

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

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

Notes to the Consolidated Financial Statements

1. ACQUIRED AND SOLD BUSINESSES**Businesses acquired in 2020**

No acquisitions were made during the financial year 2020.

Businesses acquired in 2019

No acquisitions were made during the financial year 2019.

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	2020 Net Sales	2019 Net Sales
License sales and consulting	59,494	40,503
Maintenance revenue	19,961	17,870
Total net sales	79,455	58,373

EUR thousand	2020 Net Sales	2020 Non-current assets*	2019 Net Sales	2019 Non-current assets*
Finland	654	10,664	685	11,480
Rest of Europe and APAC	48,579	2,466	35,244	2,968
North America	30,222	624	22,444	1,042
Total net sales	79,455	13,755	58,373	15,490

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

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

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

Contract assets are short-term assets and mainly related to revenue recognition of distribution licenses. At the end of the financial year 2020 the value of contract assets was 2,786 (1,340) 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	2020	2019
Grants	222	351
Other income	240	928
Total	463	1,279

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	2020	2019
External services	4,484	3,070
Total	4,484	3,070

External services are mainly comprized of outsourcing services and subcontracting.

Notes to the Consolidated Financial Statements

5. PERSONNEL EXPENSES

Employee benefits

Pension liabilities

Pension plans are categorized 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	2020	2019
Wages and salaries	36,020	33,166
Pension costs (defined contribution plans)	2,703	2,622
Equity incentive program	519	472
Stock option program		408
Other personnel expenses	2,897	2,691
Total	42,140	39,359

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

Group's personnel on average	2020	2019
Finland	96	95
Europe & APAC	199	185
North America	54	51
Total	348	331

Notes to the Consolidated Financial Statements

6. RESEARCH AND DEVELOPMENT COSTS

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

Development expenses are capitalized only if the Group meets the requirements of IAS 38 for the capitalization of development expenses. Capitalized development expenses are depreciated over their useful lives. An asset is depreciated starting from when it is ready to use. An asset that is not yet ready to use is tested annually for impairment. Capitalized development expenses are measured at cost less accumulated depreciation and impairment after the initial recognition. Other development expenses are recognized as expenses. The Group did not have capitalized development costs on 31 December 2020.

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	2020	2019
Research and development costs	13,601	12,865
Total	13,601	12,865

7. DEPRECIATION AND AMORTIZATION

EUR thousand	2020	2019
Depreciation and amortization by asset category		
Intangible assets		
Software and licenses	12	24
Intellectual property rights	423	449
Other intangible assets	46	22
Property, plant and equipment		
Buildings	1,306	1,407
Machinery and equipment	646	670
Total depreciation, amortization and impairment	2,432	2,572

During the financial year 2020, an impairment of EUR 4 thousand was recognized on intangible assets. During the financial year 2019, an impairment of EUR 7 thousand was recognized on machinery and equipment.

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	2020	2019
Personnel expenses	1,353	1,602
Travel and representation expenses	929	2,533
Marketing and communications	1,485	2,069
External services	4,594	3,798
Costs of premises	1,513	1,262
IT expenses	2,855	2,520
Other expenses	1,115	649
Total	13,845	14,433
Auditor's fees		
Audit	59	47
Tax counselling	3	35
Other services	4	3
Total	66	85

The Group's auditor for 2019 and 2020 was KPMG Oy Ab.

During financial year 2020, services that were rendered by KPMG Oy Ab to the Qt Group companies and that were not related to auditing amounted to EUR 7 thousand.

9. FINANCIAL INCOME AND EXPENSES

Financial income EUR thousand	2020	2019
Exchange rate gains	2,865	969
Other financial income	6	90
Total	2,871	1,059
Financial expenses		
EUR thousand	2020	2019
Interest expenses for loans from financial institutions	124	142
Exchange rate losses	3,383	1,002
Other financial expenses	21	17
Total	3,527	1,161

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	2020	2019
Taxes for the period	601	575
Taxes for previous periods	58	33
Other items	37	288
Deferred tax	2,838	-427
Total	3,534	469
Reconciliation of tax expenses with the tax rate of the Group's home country (20%)		
Earnings before tax	16,360	117
Taxes calculated at the parent company's tax rate	3,272	23
Effect of deviating tax rates of foreign subsidiaries	178	160
Income not subject to tax	-180	-209
Non-deductible expenses and other differences	142	153
Withholding taxes	37	288
Other items	28	19
Taxes for previous periods	58	33
Total	3,534	469
Effective tax rate	22%	401%

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.

	2020	2019
Net profit attributable to parent company shareholders (EUR thousand)	12,826	-352
Weighted average number of shares during the financial period, 1,000 shares	23,987	23,736
Undiluted earnings per share (EUR/share)	0.53	-0.01
Diluted earnings per share (EUR/share)	0.51	

Notes to the Consolidated Financial Statements

12. INTANGIBLE ASSETS

Intangible assets

Goodwill

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

Research and development costs

Development costs are capitalized only if the Group meets the requirements of IAS 38 for the capitalization of development costs. Capitalized development costs are depreciated over their useful lives. Capitalized development costs are measured at cost less accumulated depreciation and impairment after the initial recognition. Other development costs are recognized as expenses. The Group did not have capitalized development costs on 31 December 2020.

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 2020

EUR thousand	Goodwill	Other intangible assets	Total
Acquisition cost, 1 January	6,562	7,056	13,618
Translation differences and other adjustments	0	-3	-3
Additions		104	104
Acquisition cost, 31 December	6,562	7,156	13,718
Accumulated depreciation and impairment, 1 January	0	-2,973	-2,973
Translation differences and other adjustments		3	3
Depreciation for the period		-480	-480
Accumulated depreciation and impairment, 31 December	0	-3,450	-3,450
Book value, 1 January	6,562	4,082	10,645
Book value, 31 December	6,562	3,706	10,268

Notes to the Consolidated Financial Statements

Intangible assets 2019

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

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 2020

EUR thousand	Identified intangible assets	Goodwill	Other items	Total value subject to testing
	3,596	6,562	7,155	17,314

During the 2020 financial period, identified intangible assets were depreciated by EUR 406 thousand.

Based on the impairment testing calculations by the management, no need for recognizing impairment losses was found during the 2020 financial period.

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

tions in the testing: net sales and operating profit for 2021 according to budget. Over the five-year forecast period, the average annual growth in net sales is over 15 percent and terminal period growth is 1 percent thereafter, operating profit over 15 percent and a pre-tax discount rate 10.2 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 3.9 percent over the five-year forecast period, even if the costs for 2021 were allowed to grow according to the budget and moderately even after that with profitability being 0.2 percent at the end of the forecast period.

Impairment testing in 2019

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

13. TANGIBLE ASSETS

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

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

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

Qt Group has applied the IFRS 16 Leases standard effective from January 1, 2019. As a result of the new standard, the Group recognized principally non-cancellable leases relating to the office premises on the balance sheet. The Group made use of an easement allowed in the standard, according to which short-term leases of assets with minor value do not need to be recognized on the balance sheet.

Tangible assets 2020

EUR thousand	Buildings	Machinery and equipment	Total
Acquisition cost, 1 January	5,014	3,311	8,325
Translation differences and other adjustments		-77	-77
Increases		560	560
Disposals		-15	-15
Acquisition cost, 31 December	5,014	3,779	8,793
Accumulated depreciation and impairment, 1 January	-1,407	-2,324	-3,732
Translation differences and other adjustments		60	60
Depreciation for the period	-1,306	-646	-1,952
Disposals		11	11
Accumulated depreciation and impairment, 31 December	-2,713	-2,900	-5,613
Book value, 1 January	3,607	986	4,593
Book value, 31 December	2,301	879	3,180

Tangible assets 2019

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

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

EUR thousand	Buildings 2020	Machinery and equipment 2020	Buildings 2019	Machinery and equipment 2019
Acquisition cost and increases	5,014	1,732	5,014	1,559
Accumulated depreciation	-2,713	-1,465	-1,407	-1,155
Book value, 31 December	2,301	267	3,607	404

Notes to the Consolidated Financial Statements

14. DEFERRED TAX ASSETS AND LIABILITIES**Changes in deferred tax during 2020:**

EUR thousand	1.1.2020	Recognized in the income statement	31.12.2020
Deferred tax assets:			
Confirmed losses	3,180	-2,991	189
Other items	283	211	494
Total	3,463	-2,780	683
Deferred tax liabilities:			
From allocation of the fair values of acquisitions	428	58	487
Other items	17	0	17
Total	445	58	504

Changes in deferred tax during 2019:

EUR thousand	1.1.2019	Recognized in the income statement	31.12.2019
Deferred tax assets:			
Confirmed losses	2,811	369	3,180
Other items	174	109	283
Total	2,985	478	3,463
Deferred tax liabilities:			
From allocation of the fair values of acquisitions	370	58	428
Other items	24	-7	17
Total	394	51	445

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, 2020 were EUR 189 thousand (3,180).

Notes to the Consolidated Financial Statements

15. TRADE AND OTHER RECEIVABLES

EUR thousand	2020	2019
Trade receivables	17,772	13,772
Lease security deposits	80	83
Accrued income	2,653	2,740
VAT receivable	1,881	1,363
Other receivables	2,546	1,141
Total	24,932	19,099

The Group has recognized a credit loss provision of EUR 1,655 thousand in trade receivables in the 2020 financial statements (2019: EUR 1,049 thousand). The carrying amount of the trade receivables is a moderate estimate of their fair value.

EUR thousand	2020	2019
Undue trade receivables	11,206	8,319
Trade receivables 1–30 days overdue	1,445	3,082
Trade receivables 31–60 days overdue	2,119	595
Trade receivables over 60 days overdue	3,002	1,777
Total	17,772	13,772

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	2020	2019
Bank accounts	22,046	11,944
Total	22,046	11,944

17. NOTES TO SHAREHOLDERS' EQUITY

	Number of shares	Share capital (EUR thousand)
1 January 2020	23,661,062	500
31 December 2020	24,218,340	500

Share capital and number of shares

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

Translation difference

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

Unrestricted shareholders' equity reserve

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

Own shares

Own shares reserve includes the purchase costs of own shares in Qt Group's possession. The purchase and disposal of own shares is disclosed as separate fund in equity. At the end of December 2020, the Group held 306,250 of its own shares as treasury shares, which represents 1.25% of the entire stock. The purchase cost of purchased shares including transaction costs was EUR 5,362 thousand.

Notes to the Consolidated Financial Statements

18. SHARE-BASED PAYMENTS

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

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

Equity incentive program 2019–2021

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

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

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

Equity incentive program 2019–2021

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

Notes to the Consolidated Financial Statements

Option program 2016–2019

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

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

Company has noted that the criteria of the 2016 stock options plan have been met and resolved that the share subscription period will begin on December 19, 2019 in accordance with the terms and conditions of the option scheme 2016 II.2. The share subscription period for 2016 option rights ends on December 31, 2022. The stock options will be freely transferable on December 19, 2019.

The option holders can subscribe the shares during the subscription period by giving the payment and subscription details to their own bank. New shares subscribed with stock options 2016 will be listed as additional lots of Company shares on the main list of Nasdaq Helsinki together with the old shares after the shares increase has been registered.

Option program 2016–2019

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

EFFECT OF OPTION PROGRAM ON THE NET PROFIT

EUR thousand	2020	2019
Equity incentive program 2019–2021	519	472
Option program 2016–2019		408
Total	519	880

Notes to the Consolidated Financial Statements

19. SHORT-TERM LIABILITIES

EUR thousand	2020	2019
Lease liabilities	1,282	1,625
Accounts payable	1,569	1,380
Advances received	14,110	17,067
Accrued charges and deferred credits	8,298	6,768
Other liabilities	1,987	1,573
Total	27,246	28,413

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 2,416 thousand of the advances received have been presented in Other long-term liabilities due to their maturity.

Notes to the Consolidated Financial Statements

20. FINANCIAL LIABILITIES AND FINANCIAL RISK MANAGEMENT

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

Financial liabilities

EUR thousand	2020		2019		Fair value hierarchy
	Asset values	Fair values	Asset values	Fair values	
Long-term					
Lease liabilities	1,373	1,373	2,456	2,456	2
Total	1,373	1,373	2,456	2,456	
Short-term					
Lease liabilities	1,282	1,282	1,625	1,625	2
Total	1,282	1,282	1,625	1,625	

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

2020

EUR thousand	2021	2022	2023	Total
Lease liabilities	1,282	621	752	2,655
Total	1,282	621	752	2,655

2019

EUR thousand	2020	2021	2022	Total
Lease liabilities	1,625	1,190	1,266	4,081
Total	1,625	1,190	1,266	4,081

Notes to the Consolidated Financial Statements

FINANCIAL RISK MANAGEMENT

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

Credit risk

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

Foreign exchange rate risk

The existing foreign exchange rate risk is comprised of currency-denominated commercial transactions, monetary items on the balance sheet and net investments in foreign subsidiaries. Of the Group's cash flows, the biggest currency exposures arise from EUR and USD. The Group has both income and expenses in both main currencies, which significantly limits the foreign exchange risk. The company monitors the development of currency exposure as its operations expand and as non-USD-denominated currency items increase, which might lead to the adoption of an active hedging policy in the company. At the end of the financial year, the company had no existing hedging instruments and the Group does not apply hedge accounting.

Liquidity risk

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

Interest rate risk

The Group does not have significant interest-bearing liabilities.

Notes to the Consolidated Financial Statements

21. THE GROUP'S CONTINGENT LIABILITIES

Contingent liabilities

EUR thousand	2020	2019
Pledges given on own behalf		
Guarantees	479	550
Pledges and contingent liabilities total	479	550

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 2020**

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
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
Qt India Technology Pvt Ltd	100%	Bangalore	India
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. 2020	1.1.–31.12. 2019
Varelius Juha	President and CEO	653	605
Ingman Robert	Chairman of the Board of Directors	73	72
Uhari Tommi	Vice Chairman of the Board of Directors	53	52
Saarinen Leena	Member of the Board of Directors	40	38
Koppinen Jaakko	Member of the Board of Directors	36	36
Marsio Mikko	Member of the Board of Directors	36	36
Total		891	839

Management's employee benefits

EUR thousand	1.1.–31.12. 2020	1.1.–31.12. 2019
Salaries and other short-term employee benefits	1,849	1,691
Option and Equity incentive program	250	423
Total	2,100	2,114

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	2020	2019
Net sales		501,015.66	394,344.52
Personnel expenses	1	-923,415.01	-728,621.16
Other operating expenses	2	-637,577.70	-715,137.24
Operating profit		-1,059,977.05	-1,049,413.88
Financial expenses	3	-863.82	-580.79
Earnings before appropriations and taxes		-1,060,840.87	-1,049,994.67
Appropriations			
Group contributions received		5,975,713.36	
Total appropriations		5,975,713.36	
Income taxes		0.00	0.00
Net profit		4,914,872.49	-1,049,994.67

Parent company's balance sheet (FAS)

EUR	Notes	31.12.2020	31.12.2019
Non-current assets			
Investments			
Holdings in group companies	4	17,406,928.24	17,406,928.24
Total		17,406,928.24	17,406,928.24
Non-current assets total			
17,406,928.24 17,406,928.24			
Current assets			
Accounts receivable from group companies		188,987.20	488,987.20
Current receivables from group companies		5,975,713.36	
Other receivables		650,816.12	28,582.59
Cash in hand and at banks		1,488,791.16	10,067.32
Total		8,304,307.84	527,637.11
Total assets			
		25,711,236.08	17,934,565.35

EUR	Notes	31.12.2020	31.12.2019
Shareholders' equity			
Share capital	5	500,000.00	500,000.00
Unrestricted shareholders' equity reserve	5	29,099,846.51	24,036,509.55
Own shares		-7,283,863.78	-1,922,186.82
Retained earnings		-5,462,646.10	-4,412,651.43
Net profit	5	4,914,872.49	-1,049,994.67
Total		21,768,209.12	17,151,676.63
Short-term liabilities			
Accounts payable		32,691.98	65,498.14
Other liabilities		127,221.02	99,256.96
Accrued charges and deferred credits	6	3,783,113.96	618,133.62
Total		3,943,026.96	782,888.72
Total shareholders' equity and liabilities			
		25,711,236.08	17,934,565.35

Parent company's cash flow statement FAS

EUR	2020	2019
Net profit before tax	-1,060,840.87	-1,049,990.47
Adjustments to net profit	863.82	576.59
Change in working capital	2,837,904.71	1,775,902.64
Interest paid	-863.82	-576.59
Cash flow from financial items and taxes	-863.82	-576.59
Cash flow from operations	1,777,063.84	725,912.17
Loans granted	0.00	0.00
Cash flow from investments	0.00	0.00
Purchase of own shares	-5,361,676.96	-1,922,191.15
Share subscriptions based on stock options 2016	5,063,336.96	
Cash flow from financing	-298,340.00	-1,922,191.15
Change in cash and cash equivalents	1,478,723.84	-1,196,278.98
Cash and cash equivalents at beginning of period	10,067.32	1,206,346.30
Cash and cash equivalents at end of period	1,488,791.16	10,067.32

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

BASIC INFORMATION ON THE COMPANY

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

ACCOUNTING POLICIES APPLIED IN THE FINANCIAL STATEMENTS

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

PENSION ARRANGEMENTS

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

TAXES

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

TANGIBLE AND INTANGIBLE ASSETS

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

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

CASH AND CASH EQUIVALENTS AND LOANS FROM FINANCIAL INSTITUTIONS

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

SHAREHOLDERS' EQUITY AND DIVIDENDS

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

Notes to the parent company financial statements FAS

1. INFORMATION ON PERSONNEL AND RELATED PARTIES

EUR	2020	2019
Wages and salaries	822,719.05	651,793.27
Pension expenses	88,063.62	69,516.64
Other personnel expenses	12,632.34	7,311.25
Total	923,415.01	728,621.16

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

2. OTHER OPERATING EXPENSES

EUR	2020	2019
IT expenses	8,669.17	39,251.96
Expert services	327,985.35	307,226.44
Other expenses	300,923.18	367,884.74
Total	637,577.50	714,363.14
Auditor's fees		
Audit	16,184.32	17,023.45
Other services	3,565.00	28,421.79
Total	19,749.32	45,445.24

The company's auditor for 2019 and 2020 was KPMG Oy Ab.

3. FINANCIAL INCOME AND EXPENSES

EUR	2020	2019
Other financial expenses	863.82	580.79
Total	863.82	580.79

Notes to the parent company financial statements

4. INVESTMENTS**Holdings in group companies**

EUR	2020
Acquisition cost, 1 January	17,406,928.24
Acquisition cost, 31 December	17,406,928.24
Book value, 1 January	17,406,928.24
Book value, 31 December	17,406,928.24
EUR	2019
Acquisition cost, 1 January	17,406,928.24
Acquisition cost, 31 December	17,406,928.24
Book value, 1 January	17,406,928.24
Book value, 31 December	17,406,928.24

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%

Notes to the parent company financial statements

5. CHANGES IN SHAREHOLDERS' EQUITY

EUR	2020	2019
Share capital, 1 January	500,000.00	500,000.00
Share capital, 31 December	500,000.00	500,000.00
Unrestricted shareholders' equity reserve, 1 January	24,036,509.55	24,036,509.55
Share subscriptions based on stock options	5,063,336.96	
Unrestricted shareholders' equity reserve, 31 December	29,099,846.51	24,036,509.55
Own shares, 1 January	-1,922,186.82	-1,922,186.82
Purchase of own shares	-5,361,676.96	
Own shares, 31 December	-7,283,863.78	-1,922,186.82
Retained earnings	-5,462,646.10	-4,412,651.43
Net profit (loss)	4,914,872.49	-1,049,994.67
Total shareholders' equity	21,768,209.12	17,151,676.63
Calculation of distributable funds		
Unrestricted shareholders' equity reserve	29,099,846.51	24,036,509.55
Own shares	-7,283,863.78	-1,922,186.82
Retained earnings	-5,462,646.10	-4,412,651.43
Net profit (loss)	4,914,872.49	-1,049,994.67
Total distributable funds	21,268,209.12	16,651,676.63

Notes to the parent company financial statements

6. ACCRUED CHARGES AND DEFERRED CREDITS

EUR	2020	2019
Accrued charges and deferred credits to group companies	3,500,640.21	450,640.21
Personnel expense allocations	281,352.03	161,974.27
Other accrued charges and deferred credits	1,121.72	5,519.14
Total	3,783,113.96	618,133.62

Board of Directors' dividend proposal

Parent company's net result showed a profit of EUR 4,914,872.49. 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 2020.

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

ESPOO, 17 FEBRUARY 2021



Robert Ingman

Chairman of the Board of Directors



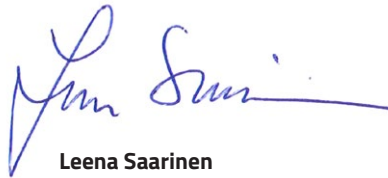
Tommi Uhari

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, 17 February 2021



KPMG Oy Ab

Authorized Public Accountants

Kim Järvi, Authorised Public Accountant

Auditor's Report

To the Annual General Meeting of Qt Group Plc

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Qt Group Plc (business identity code 2733394-8) for the year ended December 31, 2020. 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 judgment 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 enclosed.

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

- | | |
|---|--|
| <ul style="list-style-type: none"> ▪ Revenue recognition is one of the key areas of focus, in respect of the risk of management override and timing of revenue for license, maintenance and consulting income. ▪ Accounts receivable includes management estimate relating to valuation of overdue accounts receivable. | <ul style="list-style-type: none"> ▪ 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 consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER REPORTING REQUIREMENTS

Information on our audit engagement

We were first appointed as the auditors of Qt Group Plc by the Annual General Meeting on May 1, 2016, when the company was founded as the result of de-merger from Digia Plc. Our appointment as auditors of Digia Plc represents a total period of uninterrupted engagement since 2015.

Other Information

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

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

to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

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

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

Helsinki, February 17, 2021

KPMG OY AB

Kim Järvi

Authorized Public Accountant, KHT

Corporate Governance Statement 2020

I. Introduction

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

The Governance Code is available on the Finnish Securities Market Association website at www.cgfinland.fi.

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 per cent (1/10) of the company's shares, for the purpose of discussing a specific issue.

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

BOARD OF DIRECTORS

Operations and duties

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

The majority of Board members must be independent of the company and a minimum of two (2) of those members must also be independent of the company's major share-

holders. 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 2020.

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 and Digia Plc. Member of the Board of Evli Pankki Plc. Independent of the Company.



LEENA SAARINEN

b. 1960

M.Sc. (Food technology)

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

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

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



TOMMI UHARI

b. 1971

M.Sc. (Eng.)

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

Currently serves as Partner and Board member of Karma Ventures and holds board member and strategic advisor roles in various companies. Co-founder and CEO at Uros Ltd (2011–2015).

His previous posts include management team member of ST Microelectronics (2006–2010), various managerial positions at ST's joint ventures ST-NXP Wireless and ST-Ericsson (2008–2010), head of ST's Wireless Business Unit (2006–2008) and Director of Nokia Wireless and SW platforms units at Nokia (1999–2006). Independent of the Company and major shareholders.



JAAKKO KOPPINEN

b. 1969

M.Sc. (Eng.)

Member of the Board of Directors of Qt Group Plc since 2018. Member of the Compensation and Nomination Committee.

Jaakko Koppinen has served as Global Division President and member of the Board at Sandvik Mining and Construction Oy (2017–2020).

He has also 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). Independent of the Company and major shareholders.



MIKKO MARSIO

b. 1971

M.Sc. (Eng.)

Member of the Board of Directors of Qt Group Plc since 2018. Member of the Compensation and Nomination Committee.

Has worked as Digital Lead / SVP in Process Industries unit at ABB (2017–2020) and in various managerial positions e.g. at Empower Group (2016–2017), Dovre Group Plc (2012–2015), Hewlett-Packard (2005–2008) and Fortum Plc (1996–2001). Independent of the Company and major shareholders.

Composition of Board of Directors

THE BOARD OF DIRECTORS OF QT GROUP PLC 2020

Name	EDUCATION	YEAR OF BIRTH	MAIN ACTIVITY	OWNERSHIP* shares
Robert Ingman	M.Sc. (Eng.), M.Sc. (Econ.)	1961	Chairman of the Board of Directors at Ingman Group Oy Ab	5,173,000
Jaakko Koppinen	M.Sc. (Eng.)	1969	President, Sandvik Mining and Construction Oy	0
Mikko Marsio	M.Sc. (Eng.)	1971	-	800
Leena Saarinen	M.Sc. (Food Technology)	1960	Board professional	2,844
Tommi Uhari	M.Sc. (Eng.)	1971	Partner at venture capital fund Karma Ventures	410,620

* Company shares held directly or through legal entities under person's control/influence per 31 December 2020.

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

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

During the financial year 2020, 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	9/9
Mikko Marsio	9/9
Leena Saarinen	9/9
Tommi Uhari	9/9
Total	100%

Committees of the Board of Directors

The company's Board of Directors had two (2) committees in financial year 2020: the Compensation and Nomination Committee and the Audit Committee.

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

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

During 2020, the members of the Compensation and Nomination Committee and their participation rate into the meetings were as follows:

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

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

During 2020, the members of the Audit Committee and their participation rate into the meetings were as follows:

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

Management Team

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

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

On 31 December 2020 CEO Juha Varelius held 300,206 stock-options under the company's 2016 Option scheme and other management team members combined owned a total of 63,725 stock options*.

* Such amount excludes the stock options held by company former CFO Mika Harjuaho.

THE MANAGEMENT TEAM OF QT COMPANY PLC 2020

Name	EDUCATION	YEAR OF BIRTH	RESPONSIBILITY	OWNERSHIP* shares
Juha Varelius	M.Sc. (Econ.)	1963	Chief Executive Officer	280,776
Mika Harjuaho**	M.Sc. (Econ.)	1966	Chief Financial Officer	5,000
Petteri Holländer	M.Sc. student (Eng.)	1974	SVP, Product Management	5,134
Katja Kumpulainen	eMBA	1973	SVP, Marketing	0
Jouni Lintunen***	M.Sc. (Eng.)	1971	Chief Financial Officer	0
Juhapekka Niemi	M.Sc. (Computer Sciences)	1968	EVP, Sales and Business Development	30,211
Mika Pälsi	LL.M.	1970	General Counsel	87
Helena Telaranta	M.Sc. (Econ.)	1973	SVP, Human Resources	0
Tuukka Turunen	M.Sc. (Computer Sciences), Licentiate of Technology	1974	SVP, R&D	129,786

* Company shares held directly or through legal entities under control/influence by a person per 31.12.2020.

** Member of management team until 29 February 2020.

*** Member of management team since 8 June 2020.

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).



JOUNI LINTUNEN

b. 1971

Master of Science in Technology

Chief Financial Officer of Qt Group Plc since 2020.

Previously acted as Finance Director (2016–2020) and Business Controller (2013–2015) at PaloDEX Group Oyj, and in various directorial and expert positions at Vaisala Oyj (1998–2013).



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 Oyj (2012–2015) as well as in various managerial, directorial and expert positions at Lite-On Mobile Oyj (prev. Perlos) (2007–2012) and Basware Oyj (1995–2007). Member of the Board of Directors at Sparklike Oyj.

Management Team



MIKA PÄLSI

b. 1970
Master of Laws

General Counsel of Qt Group Plc since 2016.

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



PETTERI HOLLÄNDER

b. 1974
M.Sc. student (Eng)

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

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



TUUKKA TURUNEN

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

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

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



HELENA TELARANTA

b. 1973
Master of Economic Sciences

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

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

III. Financial Reporting Related Internal Control and Risk Management Systems

CONTROL FUNCTIONS AND CONTROL ENVIRONMENT

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

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

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

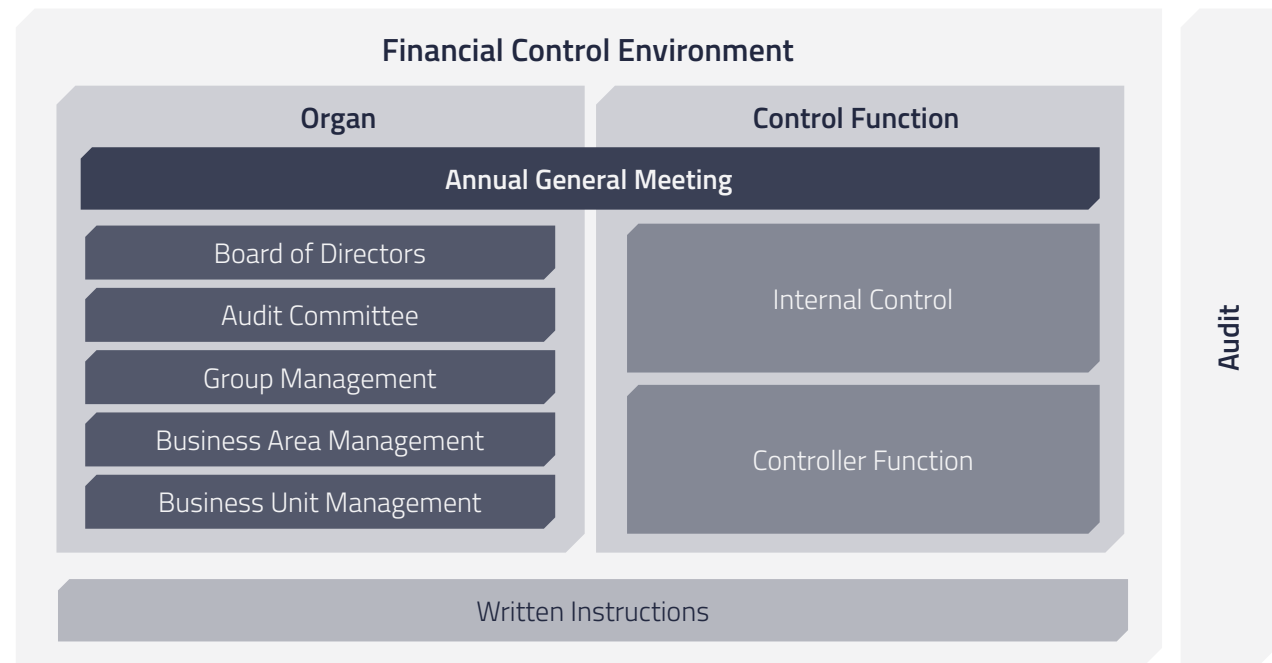
INTERNAL RISK CONTROL

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 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 prioritized 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 minimize 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, Authorized Public Accountants, serves as the auditor of the company, with Authorized Public Accountant Kim Järvi as the principal auditor.

During financial year 2020, the auditor's fees for auditing services was 59,000 euros and 7,000 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 trading.

RELATED PARTY TRANSACTION GUIDELINES

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

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

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

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

company by them personally or by their respective related parties.

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

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

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

Remuneration Report for Qt Group Plc's Governing Bodies 2020

This remuneration report for organs describes the remuneration and other financial benefits paid to the organs, i.e. Board members and President and CEO, of Qt Group Plc for the fiscal year 2020. The remuneration and other financial benefits are reported on a cash basis.

The remuneration report has been drafted in accordance with the remuneration-related guidelines of the Corporate Governance Code for Finnish listed companies 2020. The remuneration report will be reviewed for the first time in the 2021 Annual General Meeting.

As a rule, the company has a remuneration policy extending to the 2024 Annual General Meeting, which was reviewed by the company's Annual General Meeting on 10 March 2020. In accordance with the remuneration policy, the purpose of the Company's remuneration system is to provide both the Company management and the Company's personnel with a competitive, equal and encouraging revenue model, which incorporates the Company's strategic goals and their shareholders' interests.

The remuneration of organs for the fiscal year 2020 took place in accordance with the Company's remuneration policy. A significant part of the CEO's remuneration is based on variable pay components, or short-term and long-term incentives, with targets directly linked to the Company's business

performance. In particular, business performance is measured by net sales growth rate.

The company's net sales have developed very strongly in recent years, which was also reflected in the compensation paid to the President and CEO for the fiscal year 2020. The remuneration paid to the President and CEO for the fiscal year 2020 was particularly strongly influenced by the stock

options granted to the CEO in the 2016 option scheme and a significant increase in their value during the fiscal year 2020.

The table below presents the development of the remuneration of the Company's organs compared to the development of the average remuneration of the Group's employees and the Group's financial development during the last five fiscal years.

EUR 1,000	2020	2019	2018	2017	2016*
Average remuneration of the Board of Directors	48	47	47	47	35
Remuneration of the President and CEO	6,994**	327	444	432	1,188***
Employee remuneration****	105	103	97	92	95
Net sales	79,455	58,373	45,590	36,259	32,395
Operating result	17,017	219	-2,322	-3,206	-1,736
Qt Group Plc market capitalization*****	1,412,600	499,600	188,000	124,000	117,000

* The Company was formed as a result of the partial demerger of Digia Plc, which took effect on 1 May 2016. The presented amounts of remuneration are therefore for the period May 1, 2016–December 31, 2016. Net sales and operating profit are presented for the full fiscal year, including the amounts accrued during Digia Plc for the period January 1–April 30, 2016 prior to the demerger.

** Of the remuneration paid to the President and CEO, a total of EUR 6,508,418 is income from the sale of stock options received through the Company's 2016 option scheme.

*** Of the remuneration paid to the President and CEO, EUR 918,590 is share-based bonus paid based on Digia Plc's share-based incentive scheme, which ended when the demerger of Digia Plc entered into effect on May 1, 2016, thereby triggering the payment of share-based bonuses in accordance with the scheme.

**** Employee remuneration is calculated from the personnel expenses on the financial statements less any social security contributions and by dividing the resulting figure by the average number of personnel during the fiscal year.

***** Market capitalization at the end of respective year.

Remuneration of the Board of Directors

During the 2020 fiscal year, the members of Qt Group Plc's Board of Directors were paid monthly remuneration of EUR 2,500, the Vice Chairman EUR 3,500 and the Chairman EUR 5,500 for their work on the Board. In addition, the chairs of the Board committees were paid a meeting fee of EUR 1,000 per committee meeting and each Board member a meeting fee of EUR 500 per Board meeting and Board committee meeting. Moreover, standard and reasonable costs resulting from work on the Board of Directors are reimbursed against invoice.

The Company's Board Members are not included in any incentive schemes intended for the Company's senior management or personnel, and the Company has not granted stock options or share-based remuneration for work on the Board of Directors.

The table below presents the remuneration of the Board of Directors during the fiscal year 2020.

Name	Monthly compensation EUR	Meeting fee EUR	Total EUR
Robert Ingman (chair)	66,000	7,000	73,000
Jaakko Koppinen	30,000	6,000	36,000
Mikko Marsio	30,000	6,000	36,000
Leena Saarinen	30,000	10,000	40,000
Tommi Uhari (vice chair)	42,000	11,000	53,000
Yhteensä	198,000	40,000	238,000

Remuneration of the President and CEO

The remuneration of the CEO is considered as a whole and it comprises both fixed and variable components.

Fixed remuneration components include the fixed annual salary payable to the CEO under the CEO's service contract. Fringe benefits, if any, are considered to be part of this fixed monthly salary.

The remuneration model includes two types of variable remuneration components: a cash bonus paid under the Company's short-term incentive scheme and a reward paid in shares and/or options (and, if applicable, in cash) under the Company's long-term incentive scheme. The CEO has no supplementary pension scheme from the Company.

Under the company's short-term incentive scheme, the earning criteria for the CEO's bonus is the growth of the Group's net sales. Bonuses will start accumulating once the net sales exceed the set threshold, and reach the target level of 100% when the set net sales target is reached, at which time the President and CEO is paid an annual bonus amounting to 40 percent of his annual fixed salary. Between the minimum level and target level, the bonus is determined linearly between 0 and 100%, depending on actual performance. Upon exceeding the net sales 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 annual bonus for the CEO is 120 percent of his annual fixed salary. The fulfilment of bonus criteria is evaluated and possible rewards are paid semiannually.

For the fiscal year 2020, the President and CEO was paid bonuses under the short-term incentive scheme as follows:

- EUR 74,847 in February based on the achievement of the targets at a rate of 128.88 percent during the second half of 2019; and
- EUR 89,684 in August based on the achievement of the targets at a rate of 154.4 percent during the first half of 2020.

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

Under the 2016 option scheme, 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 December 19, 2019–December 31, 2022 and the subscription price is EUR 4.84.

During the fiscal year 2020, the President and CEO accumulated a total of EUR 6,508,418 of income under the 2016 option scheme due to selling stock options received under the option scheme. At the end of the fiscal year 2020, the President and CEO still holds 300,206 stock options received under the 2016 option scheme.

Under the share bonus scheme 2019, the President and CEO is entitled to a maximum reward equal to the value of 100,000 company shares. The bonuses under the scheme will be paid after the adoption of the financial statements for 2021, and therefore the President and CEO has not accumulated rewards under the said scheme during the fiscal year 2020.

The table below presents the remuneration of the President and CEO during the fiscal year 2020.

Name	Fixed salary and fringe benefits EUR	Short-term incentives EUR	Long-term incentives EUR	Total EUR
Juha Varelius	320,847	164,530	6,508,418	6,993,795

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 Group Plc's Annual General Meeting is planned to be held on Tuesday, 16 March 2021 at 10 a.m. More information on registering for the AGM and the AGM documents are available at investors.qt.io.

Financial calendar 2021

18 February	Financial statements bulletin for 2020 and annual report
22 April	Interim statement January–March
6 August	Half year financial report
28 October	Interim statement January–September

Basic information on the share

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

IR Contact

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