

QT GROUP PLC STOCK EXCHANGE RELEASE, 16 FEBRUARY 2016 at 8:00

QT GROUP PLC FINANCIAL STATEMENTS BULLETIN 1 JANUARY 2016-31 DECEMBER 2016

Qt Group Plc's fourth quarter 2016

STRONG GROWTH IN THE GLOBAL MARKET CONTINUED

Financial year 2016:

- Net sales EUR 32,395 thousand (EUR 26,934 thousand): up 20.3 per cent
- Comparable operating profit was EUR 291 (1,922) thousand, comparable operating margin (EBIT %) was 0.9 per cent (7.1).
- The comparable operating profit for 2015 included restructuring costs totalling EUR 136 thousand, while the comparable operating profit for 2016 includes non-recurring costs totalling EUR 2,026 thousand arising from the write-down of a loan receivable associated with the financing of the Qt Project Hosting foundation, fees paid to external service providers in relation to the demerger of Digia as well as costs associated with Digia's share-based remuneration system.
- The operating result was EUR -1,736 thousand (1,786), operating margin (EBIT %) was -5.4 per cent (6.6).
- Earnings per share were EUR -0.08

October-December 2016:

- Net sales EUR 8,845 thousand (7,383): up 19.8 per cent
- Comparable operating profit was EUR -98 (146) thousand, comparable operating margin (EBIT %) was -1.1 per cent (2.0).
- The comparable operating profit for 2015 included restructuring costs totalling EUR 60 thousand, while the comparable operating profit for 2016 includes non-recurring costs totalling EUR 207 thousand arising from the write-down of a loan receivable associated with the financing of the Qt Project Hosting foundation and fees paid to external service providers in relation to the demerger of Digia.
- The operating result was EUR -305 thousand (86), operating margin (EBIT %) was -3.5 per cent (1.2).
- Earnings per share were EUR -0.01

This financial statements bulletin was prepared in compliance with IAS 34 Interim Financial Reporting. The amounts from the financial statements presented in this bulletin are based on the company's audited financial statements. The Auditor's Report was issued on 15 February 2017.

BOARD OF DIRECTORS' DIVIDEND PROPOSAL

The Board of Directors of Qt Group Plc proposes to the Annual General Meeting that no dividend be paid for the fiscal year that ended on 31 December 2016.

KEY FIGURES (EUR thousand)

	10-12/2016	carve out 10-12/2015	Change, %	carve out 1-12/2016	carve out 1-12/2015	
Net sales	8,845	7,383	19.8%	32,395	26,934	20.3%
Operating result	-305	86		-1,736	1,786	
- % of net sales	-3.5%	1.2%		-5.4%	6.6%	
Net profit	-153	-567		-1,747	981	
- % of net sales	-1.7%	-7.7%		-5.4%	3.6%	
Earnings per share, EUR	-0.01			-0.08		

BUSINESS

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

Juha Varelius, President and CEO:

The year 2016 was a period of strong growth for Qt Group. Our full-year net sales increased by more than 20 per cent year-on-year. Strong growth also continued during the fourth quarter. We have made progress in line with the company's strategy and even exceeded our growth targets.

We are not dependent on any customer segment or geographical area, and during the year we signed significant contracts in many different industries around the world.

As expected, the Group's operating result for 2016 showed a loss due to investments necessary for growth and the setting up of independent Group functions, which resulted in a heavier cost structure. The full-year operating result included a total of EUR 2.0 million of non-recurring expenses which affected comparability.

During the first half of the year, we released the new versions Qt 5.6 and Qt 5.7. With the release of Qt 5.7, we changed the open source licensing terms with the aim of promoting the sale of licenses to commercial operators. The effects of this change are expected to become apparent in the coming years. In the first half of the year, we opened a new office in Japan to boost local sales. We have also otherwise increased our sales resources, particularly in Asia. The Qt World Summit 2016, held in the autumn in San Francisco, California, was attended by more than 600 representatives of our customers and partners. The event saw the launch of new products to facilitate the use of Qt technology in a growing range of equipment, including smart watches.

Investments in business development have been particularly allocated to the automotive segment. The excellent progress achieved on this front has seen the automotive industry adopt Qt as one of its basic technologies for implementing digital in-vehicle entertainment and control software. The company engages in business and development activities with many of the world's leading car manufacturers.

Our quality management system received ISO9001:2008 certification during the first half of the year.

We see very promising growth prospects for our business in the next few years. We will invest significantly in developing our operations and increasing our sales resources in line with our strategy. Our target is to achieve annual net sales of EUR 100 million and operating profit of at least 15 per cent in 2021.

We estimate that our net sales in 2017 will increase by 15-20 per cent year-on-year. Due to investments in growth, the company's operating result will show a substantial loss in 2017.

NET SALES

Qt's net sales for 2016 amounted to EUR 32,395 thousand (26,934): up 20.3 per cent.

Qt's net sales for the fourth quarter amounted to EUR 8,845 thousand (EUR 7,383 thousand), up 19.8 per cent.

PROFIT PERFORMANCE

Qt's operating result for October-December 2016 was EUR -305 thousand (EUR 86 thousand). The operating result for the financial year amounted to EUR -1,736 thousand (EUR 1,786 thousand).

The result for the financial year includes non-recurring costs totalling EUR 2,026 thousand, attributable to the write-down of a loan receivable associated with the funding of the Qt Project Hosting foundation, fees paid to external service providers in relation to the Digia demerger as well as costs arising from Digia's share-based remuneration system. The comparable operating profit for the financial year was EUR 291 thousand (EUR 1,922 thousand) and comparable operating margin (EBIT %) was 0.9 (7.1) per cent.

The company's operating expenses, including materials and services, personnel expenses, depreciation and other operating expenses, amounted to EUR 9,625 thousand (EUR 7,696 thousand) in the fourth quarter, up 25.1 per cent year-on-year. Personnel expenses accounted for 60.1 per cent (50.7%) of operating expenses, or EUR 5,787 thousand (EUR 3,902 thousand). Taking the items affecting comparability, EUR 207 thousand (EUR 60 thousand), into account, fixed costs for the review period increased by 23.4 per cent.

The company's net financial expenses in the fourth quarter amounted to EUR 90 thousand (EUR 158 thousand) due to fees totalling EUR 112 thousand related to the interest expenses of a loan of EUR 6.0 million granted by Ilmarinen Mutual Pension Insurance Company.

Qt's earnings before tax for the fourth quarter totalled EUR -395 thousand (EUR -73 thousand) and the net result was EUR -153 thousand (EUR -567 thousand). Taxes for the review period amounted to EUR 242 thousand positive (EUR -495 thousand), which was mainly due to deferred tax assets recognised for losses at the closing date.

Earnings per share were EUR -0.01 for the fourth quarter.

FINANCING AND INVESTMENTS

Cash flow from operating activities was EUR -1,385 thousand (EUR 1,165 thousand) in the financial year due to growth investments and subsequent negative operating result.

Qt's cash and cash equivalents totalled EUR 6,420 thousand (EUR 3,577 thousand) at the end of the financial year. A loan of EUR 6.0 million, granted by Ilmarinen Mutual Pension Insurance Company, was drawn down in two instalments in May 2016. The loan will mature in its entirety in November 2017 and the Group will pay interest on the loan semiannually.

The Qt Group's consolidated balance sheet total at the end of the year stood at EUR 29,443 thousand (EUR 23,869 thousand). Net cash flow from investments in the financial year was EUR -374 thousand (EUR -233 thousand).

The equity ratio stood at 40.0 per cent (54.7%) and gearing was 0.7 per cent (-24.8%). Interest-bearing liabilities amounted to EUR 6,207 thousand (EUR 1,365 thousand), of which short-term loans accounted for EUR 6,152 thousand (EUR 553 thousand).

In the financial year, return on investment was -12.0 per cent (25.0%) and return on equity was -21.1 per cent (11.0%).

RESEARCH AND DEVELOPMENT

Product development expenses are included in the result for the financial year in their entirety and Qt has no capitalised product development expenses in its balance sheet.

Qt's product development expenses totalled EUR 8,347 thousand (EUR 7,902 thousand), accounting for 25.8 per cent (29.3%) of net sales. Product development expenses increased by 5.6 per cent year-on-year.

At the end of the review period, the company had 87 people (80) employed in product development.

PERSONNEL

The number of Qt's personnel was 218 (182) on average during the quarter and 220 (182) at the end of the financial year. The Group's personnel expenses in the fourth quarter amounted to EUR 5,787 thousand (EUR 3,902 thousand), up 48.3 per cent year-on-year.

The geographical distribution of personnel:

Personnel (on average)	10-12/2016	10-12/2015	Change, %	1- 12/2016	1-12/2015	Change, %
Finland	68	52	31%	64	52	23%
Europe & APAC	122	106	15%	118	106	12%
North America	28	24	15%	27	22	22%
Group total	218	182	20%	209	180	16%

At the end of the quarter, international personnel represented 68 per cent (71%) of the total.

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

OTHER EVENTS IN THE REVIEW PERIOD

Governance

Qt Group Plc was established by a partial demerger decided on by Digia Plc's Annual General Meeting on 16 March 2016. The partial demerger was registered on 1 May 2016.

The Annual General Meeting that decided on the partial demerger of Digia Plc approved the articles of association of Qt Group Plc and 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 and auditor.

Robert Ingman, Matti Rossi, Leena Saarinen, Tommi Uhari and Kai Öistämö were elected as members of Qt Group Plc's Board of Directors. The Board of Directors of Digia Plc elected Robert Ingman as the Chairman of the Board of Qt Group Plc and Tommi Uhari as Vice Chairman.

KPMG Oy Ab, Authorised Public Accountants, was elected as the auditor of the Group, with Authorised Public Accountant Kim Järvi as the principal auditor.

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

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

The Annual General Meeting authorised the Board of Directors of Qt Group Plc to decide on the repurchase and/or acceptance as collateral of a maximum of 1,000,000 of the company's own shares. This repurchase can only be executed by means of the company's unrestricted equity. The Board shall decide on how these shares are to be purchased. The shares may be repurchased in a proportion other than that of the shares held by the current shareholders. The authorisation also includes acquisition of shares through public trading organised by NASDAQ Helsinki Oy in accordance with the rules and instructions of NASDAQ Helsinki and Euroclear Finland Ltd, or through offers made to shareholders. Shares may be acquired in order to improve the company's capital structure, to finance or carry out acquisitions or other arrangements, to implement share-based incentive schemes, to be transferred for other purposes, or to be cancelled. The shares shall be repurchased for a price based on the fair value quoted in public trading. The authorisation is valid until 16 September 2017. The Board of Directors of Qt Group Plc can take a decision based on this authorisation only after the implementation of the demerger has been registered.

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

The Annual General Meeting authorised the Board of Directors of Qt Group Plc to decide on a share issue and the granting of special rights prescribed in Chapter 10, Section 1 of the Companies Act, either subject to or free of charge, in one or several instalments on the following terms: The maximum total number of shares to be issued by virtue of the authorisation is 2,000,000. The authorisation concerns both the issuance of new shares and the transfer of shares held by the company. By virtue of the authorisation, the Board of Directors is entitled to decide on share issues and the granting of special rights waiving the pre-emptive subscription rights of the shareholders (directed issue). The authorisation may be used in order to finance or carry out acquisitions or other arrangements, to implement the company's share-based incentive schemes and to improve the capital structure of the company, or to be used for other purposes decided by the Board of Directors. The authorisation includes the Board of Directors' right to decide on all terms relating to the share issue and the granting of special rights, including the subscription price, its payment not only by cash, but also entirely or partly by other assets (property given as capital contribution) or setting the subscription price off against a subscriber's receivable, and the entry into the company's balance sheet. The authorisation is valid until 16 September 2017. The Board of Directors of Qt Group Plc can take a decision based on this authorisation only after the implementation of the demerger has been registered.

By virtue of the authorisation granted to it by the Annual General Meeting, the Board of Directors of Qt Group Plc decided at its meeting on 22 June 2016 to issue stock options to the key persons of the company or its Group companies on the following terms and conditions:

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. The stock options shall be marked with the symbol 2016. No stock option certificates shall be issued for the stock options. The stock options shall be issued gratuitously to the company's key persons.

Each stock option entitles its holder to subscribe for one (1) new share in the company or an existing share held by the company. The share subscription price shall be credited to the company's reserve for invested unrestricted equity.

The share subscription period for the stock options shall be 19 December 2019-31 December 2022. A precondition for the share subscription is that the value of the company's share based on the trade volume weighted average quotation on the NASDAQ OMX Helsinki Ltd is at least five euros and eighty-five cents (EUR 5.85) between 18 November 2019 and 13 December 2019.

The share subscription price for the stock options shall be the trade volume weighted average quotation of the company's share between 1 June 2016 and 30 June 2016 and the share subscription price shall, nevertheless, always amount to at least the highest share price quoted on the closing day 22 June 2016 when the stock options have been issued and assigned to the key persons added with one euro cent (EUR 0.01). The subscription price was determined to be EUR 4.84 based on the highest share price quoted on 22 June being EUR 4.83 and the trade volume weighted average quotation between 1 June 2016 and 30 June 2016 being EUR 4.6102.

SHARE

Qt Group Plc has one series of shares. Each share confers one vote and equal rights. The total number of shares is 20,818,273 and the share capital is EUR 500,000. Qt Group Plc did not hold any treasury shares during the reporting period.

Trading in Qt Group Plc (trading code: QTCOM) shares began on the Nasdaq Helsinki stock exchange on 2 May 2016. A total of 1,706,015 shares changed hands between 2 May 2016 and 31 December 2016. This accounts for 8.2 per cent of the total number of shares. The volume-weighted average price of the share was EUR 5.13, with the lowest price being EUR 3.89 (2 May 2016) and the highest price EUR 6.68 (6 September 2016). The closing price at the end of December was EUR 5.62 per share, and Qt Group's market capitalisation was EUR 117.0 million. The company had a total of 4,031 shareholders at the end of December 2016.

The company did not receive any flagging notifications during the reporting period.

RISKS AND UNCERTAINTIES

The company's short-term risks and uncertainties are related to potential significant changes in the company's business operations, ensuring adequate financing for operations as well as the retention and recruitment of the personnel required for business development. In one of the company's main market area, the United States, the risk of legislative changes can be seen, and should it materialise, it may negatively affect the company's business operations in the region.

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

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

FUTURE OUTLOOK

Operating environment and market outlook

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

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

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

Outlook 2017

The company will invest significantly in developing its operations and increasing its sales resources in line with its strategy. The company's Board of Directors plans to seek additional funding to finance investments in growth and maximise future growth. The company estimates that its net sales in 2017 will increase by 15-20 per cent year-on-year.

Due to investments in growth, the company's operating result will show a substantial loss in 2017.

MAJOR EVENTS AFTER THE BALANCE SHEET DATE

At its meeting on 15 February 2017, the Board of Directors of Qt Group decided to propose to the Annual General Meeting to be held on 14 March 2017 that the Board of Directors be authorised to decide on acquiring additional funding of approximately EUR 15 million by means of a share issue based on shareholders' pre-emptive subscription rights.

The Board of Directors proposes to the Annual General Meeting that the Annual General Meeting authorise the Board of Directors to decide on the issuance of at most 4,500,000 new shares or treasury shares in one or more ordinary share issues.

Helsinki, 16 February 2017

Qt Group Plc

Board of Directors

BRIEFING

Qt Group will hold a briefing on the financial statements report for analysts on Thursday, 16 February 2017 at 10:00 am, in the Paavo Nurmi cabinet of Hotel Kämp, Pohjoisesplanadi 29, 00100 Helsinki, Finland. Welcome.

FURTHER INFORMATION

Juha Varelius, CEO, tel. +358 9 8861 8040

The financial statements report and CEO's presentation will be available in the Investors section at www.qt.io from 10:00 am on 16 February 2017.

DISTRIBUTION
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SUMMARY OF FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS
1 JANUARY-31 DECEMBER 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, EUR 1,000

EUR 1,000	10- 12/2016	10- 12/2015	Change, %	carve out 1-12/2016	carve out 1-12/2015	Change, %
NET SALES	8,845	7,383	19.8%	32,395	26,934	20.3%
Other operating income	476	400	18.8%	528	1,821	-71.0%
Materials and services	-993	-277	258.3%	-2,313	-1,003	130.6%
Employee benefits expenses	-5,787	-3,902	48.3%	-22,990	-17,348	32.5%
Depreciation and amortisation	-309	-137	-22.2%	-866	-954	-9.2%
Other operating expenses	-2,537	-3,119	-18.7%	-8,489	-7,662	10.8%
Operating profit	-305	86		-1,736	1,786	
Financial expenses (net)	-90	-158		-541	-195	
Profit before taxes	-395	-73		-2,277	1,591	
Income taxes	242	-495		530	-610	
NET PROFIT	-153	-567		-1,747	981	
Other comprehensive income:						
Items which may be reclassified subsequently to profit or loss:						
Exchange differences on translation of foreign operations	4	22		28	118	
TOTAL COMPREHENSIVE INCOME	-149	-545		-1,720	1,099	
Distribution of net profit:						
Parent company shareholders	-153	-567		-1,747	981	
Minority interest						
Distribution of comprehensive income:						
Parent company shareholders	-149	-545		-1,720	1,099	
Minority interest						
Earnings per share, EUR	-0.01			-0.08		

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, EUR 1,000

Assets	31 December 2016	carve out 31 December 2015
Non-current assets		
Goodwill	6,562	6,562
Other intangible assets	5,360	5,843
Tangible assets	567	416
Long-term receivables	952	42
Total non-current assets	13,441	12,863
Current assets		
Trade and other receivables	9,582	7,429
Cash and cash equivalents	6,420	3,577
Total current assets	16,002	11,006
Total assets	29,443	23,869

Shareholders' equity and liabilities	31 December 2016	carve out 31 December 2015
Share capital	500	
Unrestricted shareholders' equity reserve	8,720	
Translation difference	633	605
Retained earnings	160	8,314
Net profit	-1,747	
Equity attributable to parent company shareholders	8,265	8,919
Total shareholders' equity	8,265	8,919
Liabilities		
Long-term interest-bearing liabilities	55	812
Deferred tax liabilities	293	195
Other long-term liabilities	461	875
Total long-term liabilities	809	1,882
Short-term interest-bearing liabilities	6,152	553
Other short-term liabilities	14,217	12,515
Total short-term liabilities	20,369	13,068
Total liabilities	21,179	14,950
Shareholders' equity and liabilities	29,443	23,869

CONSOLIDATED STATEMENT OF CASH FLOWS, EUR 1,000

	1 January 2016-31 December 2016	1 January 2015-31 December 2015
Cash flow from operations:		
Net profit	-1,747	981
Adjustments to net profit	919	1,936
Change in working capital	248	-946
Interest paid	-513	-196
Other financial items	-28	0
Taxes paid	-263	-610
Cash flow from operations	-1,385	1,165
Cash flow from investments:		
Purchases of tangible and intangible assets	-374	-233
Cash flow from investments	-374	-233
Cash flow from financing:		
Repayments of current loans	-346	-303
Repayments of non-current loans	-1,188	0
Withdrawals of non-current loans	6,000	0
Cash flow from financing	4,466	-303
Change in cash and cash equivalents	2,707	629
Cash and cash equivalents at beginning of period	3,577	2,857
Net foreign exchange difference	136	91
Change in cash and cash equivalents	2,707	629
Cash and cash equivalents at end of period	6,420	3,577

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY, EUR 1,000

	Invested equity	Share capital	Unrestricted shareholders' equity reserve	Translation difference	Retained earnings	Total shareholders' equity
SHAREHOLDERS' EQUITY 1 JANUARY 2016*	8,314	0	0	605	0	8,919
Comprehensive income for the period 1-4/16*						
Net profit*	526				0	526
Other comprehensive income*				97		97
Demerger-related transactions*	855					855
Demerger 30 April 2016*	-9,695	500	8,720		474	0
Shareholders' equity 1 May 2016	0	500	8,720	702	474	10,396
Comprehensive income for the period 5-12/16						
Net loss					-2,273	-2,273
Stock option programme					211	211
Other comprehensive income				-69		-69
SHAREHOLDERS' EQUITY 31 DECEMBER 2016		500	8,720	632,597	-1,588	8,265

*carve out

ACCOUNTING PRINCIPLES

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

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IFRS amendments

Qt Group has applied Amendment to IAS 1 Presentation of Financial Statements: Disclosure Initiative as from 1 January 2016, which had a minor effect on the notes to the financial statements.

Qt Group has not yet adopted the following new and amended standards and interpretations already issued by the IASB. The Group will adopt them as of the

effective date or, if the date is other than the first day of the financial year, from the beginning of the subsequent financial year.

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

Essential concepts in IFRS 15 have been analysed on the revenue stream level. Qt Groups's revenue streams consists of licenses, maintenance and consulting. Current revenue recognition in Qt Group is based on transfer of risks and rewards to customer. Licenses are right-to-use type of licenses and usually recognised at a point in time, if not subject to usage by the client. As such, based on preliminary analysis timing of their revenue recognition is not expected to change significantly. During 2017, Qt Group will continue the analysis in more detail.

IFRS 9 Financial Instruments (effective for financial years beginning on or after 1 January 2018): IFRS 9 replaces the existing guidance in IAS 39. The new standard includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The impacts of IFRS 9 on Qt Group's consolidated financial statements will be assessed in more detail during 2017.

IFRS 16 Leases (effective for financial years beginning on or after 1 January 2019). The new standard replaces the current IAS 17 standard and related interpretations. IFRS 16 requires the lessees to recognise the lease agreements on the balance sheet as right-of-use assets and lease liabilities. The accounting model is similar to current finance lease accounting according to IAS 17. There are two exceptions available, these relate to either short term contracts in which the lease term is 12 months or less, or to low value items i.e. assets of value USD 5,000 or less. The standard will have an effect on the consolidated financial statements, and Qt Group will assess the effects of the standard during 2017.

Amendments to IAS 7 Statement of Cash Flows- Disclosure Initiative (effective for financial years beginning on or after 1 January 2017). The changes were made to enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments have an impact on the disclosures in the consolidated financial statements.

Background information

Qt Group Plc was established by the partial demerger of Digia Plc on 1 May 2016, which saw Digia's Qt business transferred to a new parent company. As such, Qt did not constitute a separate legal group prior to 1 May 2016. The balance sheet and related key figures for 31 December 2016 are based on actual figures, while the income statement, cash flow statement and comparison figures are based on carve-out financial information.

The carve-out financial information presented herein reflect the income, expenses, assets, liabilities and cash flows of the companies that previously constituted the Digia Group's Qt business. Following the demerger, they constitute a separate legal group referred to as "the Qt Group" or "the Group" in the carve-out financial information presented in these financial statements.

There have been no changes to the carve-out calculation principles, which were described in detail in the demerger prospectus.

ALTERNATIVE PERFORMANCE MEASURES

Qt has applied the new guidance from ESMA (European Securities and Markets Authority) on Alternative Performance Measures, which entered into force on 3 July 2016, and presents the following alternative performance measure in addition to its consolidated IFRS financial statements. The purpose of this alternative performance measure is to illustrate the company's operational profit performance.

Comparable operating profit is defined as operating profit + items affecting comparability.

PERFORMANCE MEASURES AND ITEMS AFFECTING COMPARABILITY

EUR 1,000	10-12/2016	carve out 10-12/2015	carve out 1-12/2016	carve out 1-12/2015
Comparable operating result	-98	148	291	1,922
Items affecting comparability:				
Employee benefits expenses	0	60	1,139	136
Write-down of loan Qt Project Hosting	190		190	
Other expenses	17	0	697	0
Items affecting comparability, total	207	60	2,026	36
Operating result	-305	88	-1,736	1,786

SEGMENT REPORTING

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

GEOGRAPHICAL INFORMATION

As geographical information, Qt reports net sales for North America and the rest of the world.

Net sales (EUR thousand)	10-12/2016	10-12/2015	Change, %	1-12/2016	1-12/2015	Change, %
North America	3,980	3,576	11.3%	13,327	11,706	13.8%
Rest of the world	4,865	3,806	27.8%	19,068	15,228	25.2%
Group total	8,845	7,382	19.8%	32,395	26,934	20.3%

THE GROUP'S CONTINGENT LIABILITIES

EUR thousand	31 December 2016	31 December 2015
<hr/>		
Pledges given on own behalf		
Corporate mortgage	7,800	2,600
Guarantees	490	417
Total	8,290	2,969
<hr/>		
Other own commitments		
Leasing commitments		
Lease liabilities maturing within one year	1,315	900
Lease liabilities maturing within five years	1,469	1,266
Lease liabilities maturing later	0	158
Total	2,784	2,325
<hr/>		
Own commitments total	2,784	2,325
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Pledges, mortgages and contingent liabilities total	11,073	5,294
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TRANSACTIONS WITH RELATED PARTIES

Qt Group did not have transactions considered to be transactions with related parties during the financial year.

CONSOLIDATED KEY FIGURES, EUR 1,000

	10-12/2016	carve out 1-12/2016	carve out 1-12/2015
Net sales	8,845	32,395	26,934
Comparable operating result	-98	291	1,922
- % of net sales	-1.1%	0.9%	7.1%
Operating profit	-305	-1,736	1,786
- % of net sales	-3.4%	-5.4%	6.6%
Net profit	-152	-1,747	981
- % of net sales	-1.7%	-5.4%	3.6%
Return on equity %	-1.8%	-21.1%	11.0%
Return on investment %	-2.1%	-12.0%	25.0%
Interest-bearing liabilities	6,207	6,207	1,364
Cash and cash equivalents	6,420	6,420	3,577
Net gearing %	0.7%	0.7%	-24.8%
Equity ratio %	40.0%	40.0%	54.7%
Earnings per share, EUR	-0.01	-0.08	

CALCULATION FORMULAS FOR KEY FIGURES

Return on equity:

Calculation

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

Return on investment:

Calculation

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

Gearing:

Calculation

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

Equity ratio:

Calculation

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

SHARE AND SHAREHOLDERS

On 31 December 2016, the number of Qt Plc shares totalled 20,818,273. According to Euroclear Finland Ltd, the company had 4,031 shareholders on 31 December 2016.

The ten largest shareholders were:

Shareholder	Percentage of shares and votes
INGMAN DEVELOPMENT OY AB	21.4%
ILMARINEN MUTUAL PENSION INSURANCE COMPANY	14.6%
HALLIKAINEN JYRKI SAKARI	7.4%
KARVINEN KARI JUHANI	4.8%
VARMA MUTUAL PENSION INSURANCE COMPANY	4.7%
SAVOLAINEN MATTI ILMARI	4.3%
AKTIA CAPITAL INVESTMENT FUND	2.6%
AKTIA NORDIC SMALL CAP INVESTMENT FUND	1.6%
SÄÄSTÖPANKKI SMALL CAP INVESTMENT FUND	1.4%
MANDATUM LIFE UNIT-LINKED	1.2%
VARELIUS JUHA PEKKA	1.1%
NORDEA LIFE ASSURANCE FINLAND LTD	1.0%

Distribution of holdings by number of shares held on 31 December 2016

Number of shares	Shareholders	Percentage of shares and votes
1-100	27.6%	0.3%
101 - 1,000	55.1%	4.6%
1,001 - 10,000	15.1%	8.2%
10,001 - 100,000	1.6%	10.8%
100,001-1,000,000	0.6%	32.7%
1,000,001 - 9,999,999	0.1%	43.4%

Shareholding by sector on 31 December 2016

	Shareholders	Shares
Non-financial corporations	4.2%	27.0%
Financial and insurance corporations	0.5%	12.8%
General government	0.0%	19.3%
Not-for-profit institutions serving households	0.2%	0.3%
Households	94.6%	40.0%
Foreign holding	0.5%	0.6%

The number of outstanding shares on 31 December 2016 was 20,818,273.