Qt Group

Interim Statement
January – September 2023



Third quarter 2023: Revenue growth weaker than estimated, operating profit enhanced from the comparison period

July-September 2023

- Net sales increased 7.7 percent to EUR 38.0 million (EUR 35.3 million). The effect of exchange rates on the comparison period's net sales was EUR -1.7 million and at comparable exchange rates, net sales increased by 13.1 percent.
- Operating profit (EBITA) was EUR 9.2 million (EUR 7.9 million) or 24.1 percent (22.3 %) of net sales.
- Operating profit (EBIT) was EUR 7.2 million (EUR 6.3 million) or 18.8 percent (18.0 %) of net sales.
- Earnings per share were EUR 0.22 (EUR 0.28).

January -September 2023

- Net sales increased 16,8 percent to EUR 121.5 million (EUR 104.0 million). The effect of exchange rates on the comparison period's net sales was EUR -1.6 million and at comparable exchange rates, net sales increased by 18.6 percent.
- Operating profit (EBITA) was EUR 29.4 million (EUR 23,4 million) or 24.2 percent (22.5 %) of net sales.
- Operating profit (EBIT) was EUR 23.4 million (EUR 20.1 million) or 19.3 percent (19.3 %) of net sales.
- Earnings per share were EUR 0.70 (EUR 0.84).

The figures in brackets refer to the comparison period, i.e., the corresponding period in the previous year. The percentage of change in net sales at comparable exchange rates is calculated by translating the net sales from the comparison period 2022 with the actual exchange rates of the reporting period 2023 and by comparing the reported net sales in 2023 with the calculated 2022 net sales at comparable exchange rates.

Key figures

EUR 1,000	7-9/2023	7-9/2022	Change, %	1-9/2023	1-9/2022	Change, %	1-12/2022
Net sales	38,039	35,308	7.7%	121,479	103,970	16.8 %	155,318
Operating profit (EBITA)	9,158	7,880	16.2%	29,450	23,438	25.7 %	42,249
EBITA, %	24.1%	22.3%		24.2%	22.5 %		27.2 %
Operating profit (EBIT)	7,150	6,347	12.7%	23,427	20,067	16.7 %	36,870
EBIT, %	18.8%	18.0%		19.3%	19.3 %		23.7 %
Return on equity, %	5.7%	11.4%		18.6%	34.3 %		49.6 %
Return on investment, %	6.1%	6.9%		19.3%	22.0 %		41.5 %
Interest-bearing liabilities [1]	20,923	43,593	-52.0%	20,923	43,593	-52.0 %	28,159

Cash and cash equivalents [1]	31,289	18,926	65.3%	31,289	18,926	65.3 %	8,815
Net gearing, % [1]	-9.9%	34.9%		-9.9%	34.9 %		22.3 %
Equity ratio, % [1]	60.0%	43.7%		60.0%	43.7 %		52.8 %
Earnings per share (EPS), EUR	0.22	0.28	-21.8%	0.70	0.84	-16.1 %	1.36
Diluted earnings per share, EUR	0.22	0.27	-20,1%	0.70	0.81	-14.3 %	1.36
Personnel, on average	740	626	18.2%	719	579	24.2 %	603

[1] *At the end of the period*

Juha Varelius, President and CEO

The third quarter of 2023 was weaker than expected for the company. Net sales growth for the quarter at comparable exchange rates was 13 percent, and net sales amounted to EUR 38 million.

Throughout the period under review, net sales growth has been slowed by the general uncertainty associated with the market situation. For the company, this has been reflected particularly in a decrease in consulting projects and the maturity of new developer licenses, where a shift toward one-year licenses has been seen. While the growth of the number of developer licenses continued during the period under review in line with the long-term average, the shorter maturity of the new licenses has had a substantial negative effect on the development of the company's net sales. At the same time, however, expiring licenses have mostly been renewed for the same term as they were originally sold for, at least for the time being. Over the longer term, the shorter maturity of developer licenses will have a positive impact on the development of net sales due to the higher annual prices of one-year licenses, provided that customers continue to renew their licenses.

Net sales accrued from distribution licenses saw strong growth throughout the period under review. The development of the net sales of quality assurance products (QA tools) was also good during the period under review.

The effect of exchange rate fluctuations on the company's net sales was negative at EUR -1.6 million for the period under review and negative at EUR -1.7 million for the third quarter.

In addition to the aforementioned factors that had an impact on net sales throughout the period under review, the modest growth of net sales for the third quarter was also attributable to the number of delayed deals, including a few contracts of significant size.

Operating profit (EBITA) for the third quarter came to EUR 9.2 million, an increase of 16.2 percent compared to the third quarter of 2022. The profitability of operations (EBITA %) was good considering that net sales growth was more modest than expected and the fact that we have continued to make our planned investments in growth in spite of the general economic uncertainty. The number of personnel has increased by 95 over the past 12 months and stood at 746 at the end of September.

In spite of the unfavorable market situation and weak third quarter, the company's outlook for the remainder of the year is good, and the number of open sales opportunities is at a record-high.

Outlook for 2023

We further refine our guidance for 2023 so that our full-year net sales for 2023 will increase by 20–25 percent year-on-year at comparable exchange rates and our operating profit margin (EBITA %) will be 25–30 percent in 2023.

Our previous guidance was that our full-year net sales for 2023 will increase by 20–30 percent year-on-year at comparable exchange rates and that our operating profit margin (EBITA %) will be 20–30 percent in 2023.

News conference

Qt Group will hold an English-language news conference on October 26, 2023, at 15:00–16:00 EEST at Sanomatalo in Helsinki, Finland, and as a webcast at www.qt.io/investors. CEO Juha Varelius and CFO Jouni Lintunen will present the results at the news conference. Analysts and investors can participate in the news conference in person or via conference call at https://palvelu.flik.fi/teleconference/?id=10010164

Financial information

NET SALES

EUR 1,000	7-9/2023	7-9/2022	Change, %	1-9/2023	1-9/2022	Change, %	1-12/2022
License sales and consulting	35,236	30,787	14.5%	111,367	89,436	24.5 %	136,355
Maintenance revenue	2,802	4,521	-38.0%	10,112	14,534	-30.4 %	18,963
Total	38,039	35,308	7.7%	121,479	103,970	16.8 %	155,318

Qt Group Plc's net sales for the third quarter amounted to EUR 38.0 million (EUR 35.3 million), up by 7.7 percent. License sales and consulting increased by 14.5 percent and maintenance revenue decreased by 38.0 percent. The effect of exchange rates on the comparison period's net sales was EUR -1.7 million, and at comparable exchange rates, net sales increased by 13.1 percent.

Qt Group's net sales for January-September 2023 amounted to EUR 121.5 million (EUR 104.0 million), up by 16.8 percent. License sales and consulting grew by 24.5 percent, and maintenance decreased by 30.4 percent. The effect of exchange rates on the comparison period's net sales was EUR -1.6 million. At comparable exchange rates, net sales increased by 18.6 percent.

FINANCIAL PERFORMANCE

EUR 1,000	7-9/2023	7-9/2022	Change, %	1-9/2023	1-9/2022	Change, %	1-12/2022
Net sales	38,039	35,308	7.7%	121,479	103,970	16.8 %	155,318
Other operating income	7	28	-76.4%	23	51	-53.8 %	64
Materials and services	-1,003	-1,604	-37.5%	-3,295	-4,996	-34.0 %	-6,915
Personnel expenses	-20,247	-18,304	10.6%	-64,382	-53,115	21.2 %	-74,816
Depreciation, amortization and impairment (excl. Intangible assets arising from business combinations)	-798	-778	2.6%	-2,323	-2,250	3.3 %	-3,003
Other operating expenses	-6,840	-6,771	1.0%	-22,053	-20,221	9.1 %	-28,400
Operating result (EBITA)	9,158	7,880	16.2 %	29,450	23,438	25.7 %	42,249
EBITA-%	24.1 %	22.3 %		24.2 %	22.5 %		27.2 %
Depreciation (Intangible assets arising from business combinations)	-2,008	-1,533	31.0 %	-6,023	-3,371	78.7 %	-5,378
Operating result (EBIT)	7,150	6,347	12.7%	23,427	20,067	16.7 %	36,870
EBIT-%	18.8 %	18.0 %		19.3 %	19.3 %		23.7 %

In the third quarter of 2023, the operating profit (EBITA) amounted to EUR 9.2 million (EUR 7.9 million).

Operating profit (EBIT) in the third quarter of 2023 was EUR 7.2 million (EUR 6.3 million).

Qt Group's earnings before tax for the third quarter totaled EUR 7.0 million (EUR 7.5 million) and the result was EUR 5.5 million (EUR 6.9 million). Income taxes expenses for July-September amounted to EUR 1.5 million (EUR 0.6 million).

Earnings per share in the third quarter amounted to EUR 0.22 (EUR 0.28).

In January-September 2023 the operating profit (EBITA) amounted to EUR 29.4 million (EUR 23.4 million).

Operating profit (EBIT) in January-September 2023 was EUR 23,4 million (EUR 20.1 million).

Qt Group's earnings before tax in January-September 2023 totaled EUR 22.4 million (EUR 23.0 million) and the result was EUR 17.8 million (EUR 21.0 million). Income taxes expenses for the period amounted to EUR 4.6 million (EUR 2.0 million).

Earnings per share in January-September 2023 amounted to EUR 0.70 (EUR 0.84).

FINANCING AND INVESTMENTS

In January-September 2023, cash flow from operating activities was EUR 34.3 million (EUR -7.6 million). Qt Group's cash and cash equivalents totaled EUR 31.3 million (EUR 18.9 million) at the end of September 2023.

Qt Group's consolidated balance sheet total at the end of September 2023 stood at EUR 188.5 million (EUR 177.8 million). Net cash flow from investments in January-September 2023 was EUR -2.4 million (EUR -26.8 million). In 2023, EUR 1.8 million was paid as the rest of the earn-out from the froglogic acquisition in 2021.

Equity ratio was 60.0 percent (43.7%) and gearing -9,9 percent (34.9%). Interest-bearing liabilities amounted to EUR 20.9 million (EUR 43.6 million), of which short-term loans accounted for EUR 18.4 million (EUR 17.9 million).

In January-September 2023, return on investment was 19.3 percent (22.0%) and return on equity was 18.6 percent (34.3%).

PERSONNEL

Geographical distribution of personnel:

Personnel, on average	7-9/2023	7-9/2022	Change, %	1-9/2023	1-9/2022	Change, %	1-12/2022
Finland	217	173	25.4%	207	164	26.2 %	169
Rest of Europe & APAC	409	355	15.2%	398	322	23.6 %	336
North America	114	98	16.3%	114	93	22.6 %	97
Total	740	626	18.2%	719	579	24.2 %	603

Other events during the reporting period

CHANGES IN THE MANAGEMENT TEAM

Steffan Schumacher (b. 1975, Bachelor of IT), was appointed as Qt Group's Senior Vice President, Sales, and member of the Management Team effective from June 1, 2023. The SVP Product Management, Marko Kaasila moved to other position outside the Company from August 31, 2023. The previous Senior Vice President, Sales, Juhapekka Niemi, (b. 1968, IT Engineer) moved on to interim Senior Vice President, Business Development effective from June 1, 2023 and to interim Senior Vice President, Product Management from September 1, 2023. He continues as a Management Team member.

Events after the reporting period

The company had no events deviating from normal business operations after the end of the review period.

Risk and business uncertainties

Qt Group's risks and uncertainties are related to potential significant changes in the operating environment of the company and its customers, and Qt Group's ability to execute its strategy.

Qt Group's solutions increase productivity in the product development process of mobile and desktop applications, and embedded devices with graphical user interfaces from user interface design to software development, quality assurance and deployment. Qt Group operates in a highly competitive industry that is characterized by the rapid emergence and development of various new technologies. The emergence and widespread adoption of significant new technology can potentially reduce the demand for Qt's technology.

Qt Group's distribution license revenue depends on the ability and capacity of the company's customers to manufacture products and devices with graphical user interfaces for the market. Disruptions in the customers' global

supply chains may create delays in the production processes of equipment manufacturers and reduce their production volume, which particularly affects net sales accrued from distribution licenses.

In addition to organic growth, the company also actively explores acquisitions that support its strategy. Qt Group may be subject to risks related to new markets as a result of acquisitions. The integration of acquired products, business operations and personnel also involve various risks.

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.

Operating environment and market outlook

The company estimates the growth prospects for its business in the next few years as very promising. Qt Group expects that there will be strong demand for design, development and quality assurance tools, especially in the automotive, consumer electronics, medical devices and industrial automation industries.

Qt's solutions for improving the productivity of software development and user interface design provide companies with the ability to respond to the growing requirements in the software market, driven by the exponential growth of the IoT market and the increasing speed of software development life cycles. As software becomes increasingly complex and incorporated into millions of everyday devices, the demand for quality assurance tools will grow. Qt Group expects that the quality assurance and testing automation markets will continue to grow in the future.

Growth in the sales of developer licenses for devices with graphical user interfaces will also be reflected in the growth of net sales from distribution licenses. Distribution license revenue is based on the customer's production volume, which is why Qt Group's net sales can vary significantly from one quarter to the next.

Russia's armed attack on Ukraine, combined with the EU's sanctions against Russia, add to the general uncertainty in the operating environment. The war has not had significant impacts on the company's business, at least for the time being.

A general economic slowdown and uncertainty may impact Qt's customers' investment decisions and the demand for their products, which can consequently slow the growth of Qt Group's business. The weakening of the global economic situation may also affect the solvency of the company's customers.

Espoo, October 26, 2023

Qt Group Plc

Board of Directors

Financial information for January 1– September 30, 2023

Accounting principles

This interim report is not prepared according to the IAS Interim Financial Reporting standard. Qt Group applies the statutes of the Finnish Securities Markets Act for half-yearly financial reporting and publishes interim reports in the first and third quarter of the year to present the key information of its financial development. The information presented in the interim report has not been audited.

SEGMENT REPORTING

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

INFORMATION ON PRODUCTS AND SERVICES

Qt Group reports its net sales by type as follows: License sales and consulting, and support and maintenance revenue. License sales includes developer licenses and distribution licenses (runtimes).

EUR 1,000	7-9/2023	7-9/2022	Change, %	1-9/2023	1-9/2022	Change, %	1-12/2022
License sales and consulting	35,236	30,787	14.5%	111,367	89,436	24.5 %	136,355
Maintenance revenue	2,802	4,521	-38.0%	10,112	14,534	-30.4 %	18,963
Total	38,039	35,308	7.7%	121,479	103,970	16.8 %	155,318

NET SALES AT COMPARABLE CURRENCIES

Qt Group Plc has applied the guidance from ESMA (European Securities and Markets Authority) on Alternative Performance Measures and presents the following alternative performance measures in addition to its consolidated IFRS financial statements: Net sales at comparable exchange rates and EBITA.

The alternative performance measure, 'net sales at comparable exchange rates ', provides investors with information for comparison between reporting periods by illustrating the company's operative net sales development independent of exchange rates. The percentage of change in net sales at comparable exchange rates is calculated by translating the net sales from the comparison period 2022 with the actual exchange rates of the reporting period 2023 and by comparing the reported net sales in 2023 with the calculated 2022 net sales at comparable exchange rates.

EUR 1,000	7-9/2023	7-9/2022	1-9/2023	1-9/2022
Net sales	38,039	35,308	121,479	103,970
Effect of exchange rates		-1,674		-1,572
Net sales at comparable exchange rates	38,039	33,635	121,479	102,398

OPERATING PROFIT EBITA AND EBITA-%

Operating profit (EBITA) and EBITA %. Operating profit (EBITA) is presented because it reflects the Group's operational performance better than Operating profit (EBIT). Operating profit (EBITA) does not include amortization of fair value adjustments at acquisitions. EBITA, % presents Operating profit (EBITA) as a percentage share of the revenue. The table below shows a reconciliation between Operating profit (EBITA) and Operating profit (EBIT).

EUR 1,000	7-9/2023	7-9/2022	1-9/2023	1-9/2022	1-12/2022
Operating profit (EBIT)	7,150	6,347	23,427	20,067	36,870
Amortization on fair value adjustments at acquisitions	2,008	1533	6,023	3,371	5,378
Operating profit (EBITA)	9,158	7,880	29,450	23,438	42,249

Consolidated income statement

EUR 1,000	7-9/2023	7-9/2022	Change, %	1-9/2023	1-9/2022	Change, %	1-12/2022
Net sales	38,039	35,308	7.7%	121,479	103,970	16.8 %	155,318
Other operating income	7	28	-76.4%	23	51	-53.8 %	64
Materials and services	-1,003	-1,604	-37.5%	-3,295	-4,996	-34.0 %	-6,915
Personnel expenses	-20,247	-18,304	10.6%	-64,382	-53,115	21.2 %	-74,816
Depreciation, amortization and impairment	-2,806	-2,311	21.4%	-8,346	-5,621	48.5 %	-8,382
Other operating expenses	-6,840	-6,771	1.0%	-22,053	-20,221	9.1 %	-28,400
Operating result	7,150	6,347	12.7%	23,427	20,067	16.7 %	36,870
Financial income and expenses (net)	-137	1,147		-1,068	2,880		776
Profit before taxes	7,013	7,494	-6.4%	22,359	22,947	-2.6 %	37,646
Income taxes	-1,525	-550	177.1%	-4,578	-1,972	132.1 %	-3,345
Net profit for the review period	5,488	6,944	-21.0%	17,781	20,975	-15.2 %	34,301
Other comprehensive income:							
Items which may be reclassified subsequently to profit or loss:							
Exchange differences on translation of foreign operations	340	-130		-77	-272		-162
Total comprehensive income for the review period	5,828	6,814	-14.5%	17,704	20,702	-14.5 %	34,138
Distribution of net profit for the review period:							
Parent company shareholders	5,488	6,944	-21.0%	17,781	20,975	-15.2 %	34,301
Distribution of comprehensive income for the review period:							
Parent company shareholders	5,828	6,814	-14.5%	17,704	20,702	-14.5 %	34,138

Earnings per share (EPS), EUR	0.22	0.28	-21.8%	0.70	0.84	-16.1 %	1.36
EPS adjusted for dilution, EUR	0.22	0.27	-20,1%	0.70	0.81	-14.3 %	1.36

Consolidated statement of financial position

ASSETS

EUR 1,000	9/30/2023	9/30/2022	12/31/2022
Non-current assets			
Goodwill	44,370	43,383	43,383
Other intangible assets	49,200	57,349	55,362
Tangible assets	5,989	5,924	5,430
Long-term receivables	29	366	362
Contract assets[1]	3,402	5,664	6,207
Deferred tax assets	693	569	760
Total non-current assets	103,683	113,255	111,505
Current assets			
Trade receivables	35,780	31,330	39,916
Other receivables	9,563	8,153	10,863
Contract assets[1]	8,191	6,114	7,003
Cash and cash equivalents	31,289	18,926	8,815
Total current assets	84,823	64,523	66,597
Total assets	188,507	177,779	178,102

[1] *Additional line items were added to provide more detailed information on contract assets.*

SHAREHOLDERS' EQUITY AND LIABILITIES

EUR 1,000	9/30/2023	9/30/2022	12/31/2022
Shareholders' equity			
Share capital	500	500	500
Unrestricted shareholders' equity reserve	54,769	53,848	54,742
Own shares	-9,960	-9,960	-9,960
Translation difference	367	335	445
Retained earnings	41,005	4,887	6,700
Net profit for the review period	17,781	20,975	34,301
Total shareholders' equity	104,462	70,585	86,727
Liabilities			
Long-term interest-bearing liabilities	2,485	25,667	26,135
Deferred tax liabilities	14,383	17,234	16,237
Other long-term liabilities	10,707	14,174	12,567
Total long-term liabilities	27,576	57,076	54,939
Short-term interest-bearing liabilities	18,438	17,925	2,024
Accounts payable	2,741	2,212	2,575
Other short-term liabilities	35,289	29,981	31,838
Total short-term liabilities	56,468	50,119	36,436
Total liabilities	84,044	107,195	91,375
Total shareholders' equity and liabilities	188,507	177,779	178,102

Consolidated cash flow statement

EUR 1,000	1–9.2023	1–9.2022	1–12.2022
Result before taxes	22,359	22,947	37,646
Adjustment to net profit			
Depreciation and amortization	8,346	5,621	8,382
Other adjustments	1,189	931	1,029
Settlement of share-based payment		-23,173	-23,314
Change in working capital			
Change in trade and other receivables	7,017	-5,859	-15,331
Change in accounts payable and other liabilities	-2,503	-4,648	-5,763
Interest paid	-832	-164	-260
Other financial items	32	-161	527
Tax paid	-1,314	-3,085	-6,812
Cash flow from operations	34,295	-7,590	-3,896
Purchase of tangible and intangible assets	-543	-946	-1,190
Payment for acquisition of subsidiary, net of cash acquired	-1,835	-25,826	-25,826
Cash flow from investments	-2,377	-26,772	-27,016
Changes in lease liabilities	-1,384	-1,686	-2,238
Share subscriptions based on stock options 2016	27	419	739
Issue of treasury shares		12,240	14,511
Repayment of short-term borrowings			-15,000
Repayment of long-term borrowings	-8,000		
Proceeds from long-term borrowings		24,000	24,000
Cash flow from financing	-9,357	34,973	22,012
Change in cash and cash equivalents	22,561	611	-8,900
Cash and cash equivalents at beginning of period	8,815	17,374	17,374
Net foreign exchange difference	-86	941	341
Cash and cash equivalents at end of period	31,289	18,926	8,815

Calculation formulas for key figures

RETURN ON EQUITY

$$\frac{\text{(PROFIT/LOSS BEFORE TAXES – TAXES)}}{\text{Shareholders' equity + minority interest (average)}} \times 100$$

RETURN ON INVESTMENT

$$\frac{\text{(PROFIT/LOSS BEFORE TAXES + INTEREST AND OTHER FINANCING COSTS)}}{\text{Balance sheet total – non-interest-bearing liabilities (average)}} \times 100$$

GEARING

$$\frac{\text{INTEREST-BEARING LIABILITIES – CASH, BANK RECEIVABLES AND FINANCIAL SECURITIES}}{\text{Shareholders' equity}} \times 100$$

EQUITY RATIO

$$\frac{\text{SHAREHOLDERS' EQUITY + MINORITY INTEREST}}{\text{Balance sheet total – advance payments received}} \times 100$$

Consolidated key figures

EUR 1,000	7-9/2023	7-9/2022	1-9/2023	1-9/2022	1-12/2022
Net sales	38,039	35,308	121,479	103,970	155,318
Operating profit (EBITA)	9,158	7,880	29,450	23,438	42,249
EBITA, %	24.1%	22.3%	24.2 %	22.5%	27.2%
Operating profit (EBIT)	7,150	6,347	23,427	20,067	36,870
EBIT, %	18.8%	18.0%	19.3 %	19.3%	23.7%
Net profit	5,488	6,944	17,781	20,975	34,301
% of net sales	14.4%	19.7%	14.6 %	20.2%	22.1%
Return on equity. %	5.7%	11.4%	18.6 %	34.3%	49.6%
Return on investment. %	6.1%	6.9%	19.3 %	22.0%	41.5%
Interest-bearing liabilities [1]	20,923	43,593	20,923	43,593	28,159
Cash and cash equivalents [1]	31,289	18,926	31,289	18,926	8,815
Net gearing. % [1]	-9.9%	34.9%	-9.9 %	34.9%	22.3%
Equity ratio. % [1]	60.0%	43.7%	60.0 %	43.7%	52.8%
Earnings per share (EPS), EUR	0.22	0.28	0.70	0.84	1.36
Diluted earnings per share, EUR	0.22	0.27	0.70	0.81	1.36
Personnel, on average	740	626	719	579	603