DIGITALIST GROUP'S HALF-YEAR REVIEW, 1 JANUARY–30 JUNE 2021

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SUMMARY

April–June 2021 (comparable figures for 2020 in parentheses):

- Turnover: EUR 4.8 million (EUR 4.7 million), increase: 1,0%.
- EBITDA: EUR – 1.1 million (EUR -0.8 million), -24.0% of turnover (-16.9%).
- EBIT: EUR -2.2 million (EUR -5.2 million), -45.7% of turnover (-110.7%).
- Net income: EUR -2.8 million (EUR -5.7 million), -57.8% of turnover (-119.8%).
- Earnings per share (diluted and undiluted): EUR -0.00 (EUR 0.01).

January–June 2021 (comparable figures for 2020 in parentheses):

- Turnover: EUR 9.6 million (EUR 11.2 million), decrease: 14.9%.
- EBITDA: EUR -1.8 million (EUR -1.5 million), -19.1% of turnover (-13.3%).
- EBIT: EUR -3.4 million (EUR -6.7 million), -35.9% of turnover (-59.8%).
- Net income: EUR -3.5 million (EUR -7.8 million), -36.7% of turnover (-69.5%).
- Earnings per share (diluted and undiluted): EUR -0.01 (EUR -0.01).
- Cash flow from operations: EUR -1.9 million (EUR -0.3 million).
- Number of employees at the end of the review period: 175 (208), decrease of 15.9%.

The EBIT and net result of the review period was impacted by a write-down of the company's goodwill EUR -0.5 million (EUR -3,7 million).

Future prospects

In 2021, turnover is expected to decrease in comparison to 2020 and EBITDA is expected be approximately at the same level as compared to 2020.

CEO's review

Today more than ever a company's brand and its clients' experiences interacting with the brand is the most important asset when competing for the customers attention. Digitalist Group helps some of the strongest brands in the world to make sure they stand out in the competition.

Diversity is a crucial part of our culture. In our studios in Vancouver, Helsinki, London and Stockholm we have a staff of 175 with more than 30 nationalities. In line with continuous Covid-19 -pandemic regulations most of our employees have continued to work remotely, actually helping us to work more closely across our different studios.

Digitalist continues to work with Nordic as well as global clients. Our clients include Finning, Honda, Spotify, Posti, Electrolux and Tetra Pak. During the second quarter Digitalist Group acquired several new clients, exciting startups like Wayout International as well as well-known companies like Stora Enso. Turnover outside Finland accounted for a significant proportion of the total in the review period at 78% (74%).

During the first half of 2021 Digitalist Group has continued the transformation to streamline our operations. Starting as a new CEO from the end of June, we put even more focus on creating a lean operating model while strengthening our own brand and offering. The results are not yet satisfactory. We are continuing to work on profitability while maintaining and further increasing our financial flexibility.

We firmly believe that Digitalist Group can play an important role to help our clients stand out by creating unique customer experiences.

/ CEO, Magnus Leijonborg

SEGMENT REPORTING

Digitalist Group reports its business in a single segment.

TURNOVER

In the second quarter, the Group's turnover was EUR 4.8 million (EUR 4.7 million), which is 1,0% more than in the previous year. Covid -19 -pandemic is still affecting the turnover, the amount of customer projects has not reached the same level as before the pandemic.

The Group's turnover for the review period totalled EUR 9.5 million (EUR 11.2 million), which is 14.9% less than in the previous year. Covid-19 is still impacting the turnover. The taken efficiency measures have reduced the capacity and the targeted level of turnover is not reached yet. The share of turnover earned outside Finland is over three quarters of the total in the review period at 78% (74%).

RESULT

In the second quarter, EBITDA was EUR -1.1 million (EUR -0.8 million), EBIT was EUR -2.2 million (EUR -5.2 million), and profit before taxes was EUR -2.8 million (EUR -5.7 million). EBITDA was decreased by 0,3 million EUR one off cost. Net income for the second quarter amounted to EUR -2.8 million (EUR -5.7 million), earnings per share were EUR 0.00 (EUR -0.01). The EBIT and the net result of the second quarter was impacted by a write-down of the company's goodwill EUR 0,5 million (EUR -3.7 million).

In the review period, EBITDA came to EUR -1.8 million (EUR -1.5 million), EBIT was EUR -3.4 million (EUR -6.7 million), and profit before taxes was EUR -3.4 million (EUR -7.9 million). The negative development of EBITDA in the review period was influenced by the decrease in turnover and 0,3 million EUR one of cost. The financial income and expenses, EUR 0,0 million (EUR -1,2 million), was significantly affected by the exchange gains booked on balance sheet items. Net income for the financial period amounted to EUR -3.5 million (EUR -7.8 million), earnings per share were EUR -0.01 (EUR -0.01) and cash flow from operating activities per share was EUR 0.00 (EUR 0.00). The EBIT and net result of the review period was impacted by a write-down of the company's goodwill EUR -0.5 million (EUR -3.7 million).

RETURN ON EQUITY

The Group's shareholders' equity amounted to EUR -20.9 million (EUR -15.5 million). Return on equity (ROE) was negative. Return on investment (ROI) was -64.2 (-153.2) per cent.

INVESTMENTS

There were no major investments during the review period (EUR 0.2 million).

BALANCE SHEET AND FINANCING

The balance sheet total was EUR 16.6 million (EUR 20.0 million). Shareholders' equity amounted to EUR -20,9 million (EUR -15.5 million). The equity ratio was -126.5% (-77.5%). At the end of the review period, the Group's liquid assets totalled EUR 0.5 million (EUR 1.5 million).

At the end of the review period, the Group's balance sheet recognised EUR 10.3 million (EUR 8.6 million) in loans from financial institutions, including the overdrafts in use.

On 30 June 2021, the Group's interest-bearing liabilities amounted to EUR 30.4 million (EUR 27.3 million). During the review period loans from related parties amounting to EUR 20.1 (EUR 17.8 million) have been converted into convertible bonds. The loan agreements made with related-party companies during the review period are in the section of the review entitled related-party transactions.

CASH FLOW

The Group's cash flow from operating activities during the review period was EUR -1.9 million (EUR -0.3 million). The development of the company's liquid assets was influenced by the decrease in turnover. The cash flow for comparative review period was influenced positively by payment arrangements agreed with authorities and Covid-19 support packages granted by governments.

In order to reduce the rate of turnover of trade receivables, the Group sells some of its trade receivables from Finnish customers. In the second quarter, EUR 0.8 million (EUR 1.8 million) of trade receivables were sold.

GOODWILL

On 30 June 2021, the consolidated balance sheet recognised EUR 6.9 million (EUR 7.2 million) in goodwill. The company conducted an IAS 36 impairment test on its goodwill to reflect the status on 30 June 2021, and this led to the recognition of a goodwill impairment charge of EUR 0.5 million. The impairment is due to the company's assumption that the risks associated with the growth of the previously acquired businesses in its balance sheet will materialise, with growth more moderate and slower than previously anticipated. This change in assumptions has also affected the cash flows used for impairment testing.

The following parameters were used to test goodwill for impairment:
- Length of the testing period: 4 years
- WACC discount rate: 13 per cent
- Assumed growth ("terminal value"): 1 per cent

PERSONNEL

The average number of employees during the period under review was 177 (227), and the Group had 175 (208) at the end of the period. At the end of the review period, 64 (74) of the Group's personnel were employed by the Finnish companies, and 111 (134) were employed in the Group's foreign companies. During the period under review, the number of personnel decreased by 7 persons.

SHARES AND SHARE CAPITAL

Share turnover and price

During the review period, the company's share price hit a high of EUR 0.05 (EUR 0.05) and a low of EUR 0.03 (EUR 0.03), and the closing price on 30 June 2021 was EUR 0.05 (EUR 0.03). The average price during the review period was EUR 0.04 (EUR 0.04). During the period under review, 47 442 662 (19 328 777) shares were traded, corresponding to 7.29 (2.97) per cent of the number of shares in circulation at the end of the review period. The Group's market capitalisation at the closing share price on 30 June 2021 was EUR 30 337 660 (EUR 22 134 776).

Share capital

At the beginning of the period under review, the company's registered share capital was EUR 585 394.16, and there were 651 022 746 shares. At the end of the period, the share capital was EUR 585 394.16, and there were 651 022 746 shares. The company has one class of shares. At the end of the reporting period, the company held a total of 7 664 943 treasury shares, 1,2% of all shares.

Option programmes 2019 and 2021

The Company's Board of Directors has found option rights within option plan 2019 to have expired insofar as they have not been distributed. Of the options within the Company's option plan 2019, altogether 3.580.000 series 2019A1 and 2019A2 option rights have been distributed, on the basis of which it is possible to subscribe for a maximum of 3.580.000 new Company shares under the terms and conditions of the option plan.

On 25 January 2021, the Board of Directors of Digitalist Group Plc decided to issue option rights on the basis of an authorisation granted by the Annual General Meeting held on 14 April 2020. The option rights are marked as series 2021A1, 2021A2, 2021B1, 2021B2 and 2021C1. The maximum amount of option rights issued is 60,000,000, and they entitle their holders to subscribe for altogether a maximum of 60,000,000 of new Company shares. The Board of Directors may decide on any additional conditions related to the receipt of option rights and on the redistribution of option rights that later revert to the Company.

The theoretical market value of the options allocated by the end of review period is approximately EUR 1,0 million, which is recognised as an expense in accordance with IFRS 2 for the years 2021-2025. The expense recognition for 2021 is EUR 0.2 million. The expense recognition does not have cash flow impact.

Terms and conditions of option programs can be found at the Company's web site https://digitalist.global.

Shareholders

The number of shareholders on 30 June 2021 was 4 813 (4 173). Private individuals owned 9,3 (8.9) per cent of the shares, and institutions held 90,3 (91,0) per cent. Nominee-registered shares accounted for 2,7 (4,4) per cent of the total.

RELATED-PARTY TRANSACTIONS AND MANAGERS' TRANSACTIONS

Financing arrangements with related parties:

Convertible bonds 30th March 2021

On 30 March 2021, Digitalist Group Plc's Company's Board of Directors resolved under the authorisation granted by the Company's Annual General Meeting of 14 April 2020 to, in deviation from the pre-emptive right of the Company's shareholders, directed convertible bonds to Turret Oy Ab ("Convertible Bond 2021/1") and Holdix Oy Ab ("Convertible Bond 2021/2") and the attached special rights as referred to in Chapter 10 Section 1(2) of the Limited Liability Companies Act for subscription by Turret Oy Ab and Holdix Oy Ab in accordance with the terms of the agreement concerning the loans. Under the Terms, Convertible Bond 2021/1 and Convertible Bond 2021/2 totalling to 1.0 MEUR can be converted into a maximum total of 33.333.332 new Digitalist Group shares. The Terms concerning them are available on the company's website at https://investor.digitalistgroup.com/fi/investor/releases
The Company has issued a stock exchange release relating to the details of the convertible bonds on March 30th, 2021 and a stock exchange release of Managers' transactions on April 1st, 2021.

Convertible bonds 20th April 2021

On 20 April 2021, Digitalist Group Plc's Annual General Meeting resolved to, in deviation from the pre-emptive right of the Company's shareholders, direct convertible bonds to Turret Oy Ab ("Convertible Bond 2021/3") and Holdix Oy Ab ("Convertible Bond 2021/4") and the attached special rights as referred to in Chapter 10 Section 1(2) of the Limited Liability Companies Act for subscription by Turret Oy Ab and Holdix Oy Ab in accordance with the terms of the agreement concerning the loans.

Turret Oy Ab has subscribed and paid for the Convertible Bond 2021/3 and the attached Special Rights in full in accordance with the Terms. Holdix Oy Ab has subscribed and paid for the Convertible Bond 2021/4 and the attached Special Rights in full in accordance with the Terms.

The Convertible Bonds mature on June 30, 2024 and set off previous receivables of Turret and Holdix from the Company as identified in the Terms. Under the Terms, Convertible Bond 2021/3 and Convertible Bond 2021/4 totalling to 19.1 MEUR can be converted into a maximum total of 635.725.754 new Digitalist Group shares.
The Terms concerning the convertible bonds are available on the company's website at: https://investor.digitalistgroup.com/fi/investor/releases. The Company has issued a stock exchange release relating to the details of the convertible bonds and a stock exchange release of Managers' transactions on April 20th, 2021.

Increase in Group's cash pool overdraft

Digitalist Group Oyj agreed with Nordea Bank Oyj to increase Digitalist Group's cash pool overdraft with Nordea Bank by two million euros. The cash pool overdraft is secured by a directly enforceable guarantee granted by Turret Oy Ab and Holdix Oy Ab to Nordea Bank Abp.

OTHER EVENTS DURING THE SECOND QUARTER

On June 28th, 2021, the company's Board of Directors announced that it had agreed with Petteri Poutiainen that he would step down from the position of the company's CEO. The duties of CEO were transferred to Magnus Leijonborg, who serves as the Company's interim CEO. Magnus Leijonborg is a member of the Management Team and previously served as Head of Digitalist's North American operations and CEO of Digitalist Sweden AB.

The stock exchange releases for the review period are on the company's website at https://digitalist.global/investors/releases

Annual General Meeting 20 April 2021

The company held its Annual General Meeting on 20 April 2021. The minutes of the Annual General Meeting and the decisions made are on the company's website at https://digitalist.global/investors/hallinnointi/yhtiökokous

The Annual General Meeting elected Johan Almquist, Paul Ehrnrooth, Peter Eriksson, Esa Matikainen, Maria Olofsson and Andreas Rosenlew as ordinary members of the Board of Directors. At the Board meeting held on 20 April 2021 after the Annual General Meeting, the Board of Directors elected Esa Matikainen as the Chair of the Board and Andreas Rosenlew as the Deputy Chair of the Board.

Authorization of the Board of Directors to decide on share issues and on granting special rights entitling to shares

The Annual General Meeting authorized the Board to decide on a paid share issue and the issuance of stock options and other special rights entitling to shares referred to in Chapter 10, Section 1 of the Companies Act or a combination of all or some of the above in one or more tranches under the following conditions:
The total number of new shares to be issued under the authorization may not exceed 325,511,370 shares.
The Board of Directors was given the right to decide, within the limits of the above authorization, on all terms and conditions of the share issue and special rights entitling to shares, such as payment of the subscription price not only in cash but also by offsetting the receivable from the company.
The Board of Directors was entitled to decide on the subscription of the subscription price either as an increase in share capital or in the fully or partially invested unrestricted equity fund.
The share issue and the issuance of special rights entitling to shares may also take place in a directed manner deviating from the shareholder's pre-emptive right, if there is a compelling financial reason for this in accordance with the Companies Act. The authorization can then be used to finance acquisitions or other investments related to the company's business, as well as to maintain and increase the Group's solvency and to implement an incentive scheme.
The authorization is valid until the Annual General Meeting to be held in 2022, but not later than June 30, 2022. The authorization has not been used by the date of publication of the half-year review.

Authorisation of the Board of Directors to decide on the acquisition of own shares

The Annual General Meeting authorized the Board to decide on the repurchase or pledge of a maximum of 65,102,000 of the company's own shares with the company's distributable funds. Acquisition can take place in one or more batches. The acquisition price of the shares is the highest price to be paid for the share in public trading at the time of acquisition. In carrying out the repurchase of own shares, ordinary derivative, share lending or other agreements may be entered into on the capital market within the framework of law and regulations. The authorization entitles the Board of Directors to decide on the repurchase other than in proportion to the shares held by the shareholders (directed repurchase).
The shares may be acquired for use in the implementation of acquisitions or other arrangements related to the company's business, to improve the company's financial structure or otherwise for further transfer or cancellation.
The authorization includes the right of the Board of Directors to decide on all other matters related to the acquisition of shares. The authorization is valid until the Annual General Meeting to be held in 2022, but not later than June 30, 2022. The authorization has not been used by the date of publication of the half-year review.

EVENTS SINCE THE REVIEW PERIOD

The Company published a stock exchange release about decreasing its earlier guidance regarding future prospects. The new guidance is:
In 2021, turnover is expected to decrease in comparison to 2020 and EBITDA is expected be approximately at the same level as compared to 2020.

The previous guidance of the company was:
In 2021, turnover and EBITDA is expected to improve in comparison with 2020.

Managers' transactions

After the end of the review period, the Company has received one notification in accordance with the transactions of Management (Article 19 MAR). The stock exchange release on the acceptance of stock options was published on July 22, 2021.

RISK MANAGEMENT AND SHORT-TERM UNCERTAINTIES

The objectives of Digitalist Group Plc's risk management are to ensure the undisrupted continuity and development of the company's operations, support the achievement of the company's business objectives and increase the company's value. For more details about the organisation of risk management, processes and identified risks, see the company's website at https://digitalist.global.

The efficiency measures started in 2019 have created a more sustainable cost structure. Loss-making performance directly affects Company's working capital and the sufficiency of its financing. This risk is managed by maintaining the capacity to use different financing solutions. The company aims to continuously assess and monitor the amount of necessary business financing to ensure that it has sufficient liquid assets to finance its operations and repay maturing loans. Any disruptions in the financial arrangements would weaken Digitalist Group's financial position.
When Covid-19 developed into a pandemic in early 2020, the restrictive measures taken to prevent the spread of the disease still affect the businesses of the company's customers, thereby reducing the number of projects with some customers and the number of orders. This is reflects in the development of turnover. The amount of customer projects has not reached the same level as before the pandemic.

The company is currently dependent on external financing, most of which has been obtained from related-party companies and financial institutions. Digitalist Group's ability to finance its operations and reduce the amount of its debt depends on several factors, such as the cash flow from operations and the availability of debt and equity financing, and there is no certainty that such financing will be available in the future. Similarly, there can be no certainty that Digitalist Group will be able to obtain additional debt or refinance its current debt on acceptable terms, if at all. In early 2021, the company rearranged its short-term loans with both the main owner and a financial institution. Reorganized loans are now long term debts and decrease the short term requirements for instalments.

A significant proportion of the Group's turnover is generated by its 20 largest customers. Changes in key customer accounts could adversely affect Digitalist Group's operations, earning capacity and financial position. If one of Digitalist Group's largest customers decided to switch to a competing company or drastically altered its operating model, the chances of finding customer volumes to replace the shortfall in the near term would be limited.

The Group's business consists mainly of individual customer agreements, which are often relatively short-term. In addition, some of the project contracts have fixed or target prices. The length of delivery contracts makes it difficult to reliably estimate the longer-term development of the Group's business operations, earnings and financial position. With regard to fixed-price projects, it is essential to be able to estimate the workload and/or contractual risks of the project correctly in order to ensure an adequate level of profitability. The aforementioned aspects related to customer contracts can lead to unpredictable fluctuations in turnover and, thereby, in profitability.

Irrespective of the market situation, there is a shortage of certain experts in the Digitalist Group's sector. Furthermore, the aggressive recruitment policies that are prevalent in Digitalist Group's sector may increase the risk of personnel moving to competitors. There is no guarantee that the company will be able to retain its current personnel and recruit new employees to maintain growth. If Digitalist Group loses its current personnel, it would be more difficult to complete existing projects and acquire new ones. This could have an adverse impact on Digitalist Group's business, earnings and financial position.

Significant part of the Group's turnover is invoiced in currencies other than the euro. The risk associated with changes in exchange rates is managed in various ways, including net positioning and currency hedging contracts. No hedging contracts were used in the 2020 and 2021 reporting periods.
The Group's balance sheet contains goodwill that is subject to impairment risk in the event that the Group's future yield expectations decrease due to internal or external factors. The goodwill is tested for impairment every six months and whenever the need arises.

LONG-TERM GOALS AND STRATEGY

Digitalist Group aims to achieve a profit margin of at least 10 per cent over the long term. In order to achieve its long-term goals, Digitalist Group strives for profitable, international growth by shaping new forms of thinking, services and technological solutions for digitalising sectors. These sectors include the technology industry, energy industry, transport and logistics, as well as consumer services in the public and private sectors. Digitalist Group's strategy focuses on enhancing its service and solution business and seamlessly integrating user and operational research, branding, design and technology.

NEXT REVIEW

The next interim report, for January–September 2021, will be published on Thursday 29 October 2021.

DIGITALIST GROUP PLC
Board of Directors

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DIGITALIST GROUP

SUMMARY OF THE HALF-YEAR REPORT AND NOTES, 1 JANUARY – 30 JUNE 2021

CONSOLIDATED INCOME STATEMENT, EUR THOUSAND

	1 Apr - 30 Jun 21	1 Apr - 30 Jun 20	Change (%)	1 Jan - 30 Jun 21	1 Jan - 30 Jun 20	Change (%)
Turnover	4,781	4,735	1 %	9,574	11,244	-15 %
Other operating income	150			295		
Operating expenses	-7,116	-9,976	29 %	-13,302	-17,967	-26 %
EBIT	-2,185	-5,241	58 %	-3,433	-6,723	-49 %
Financial income and expenses	-651	-490	-33 %	-4	-1 215	-100 %
Profit before taxes	-2,836	-5,730	51 %	-3,437	-7,938	-57 %
Income taxes	60	59	-1 %	-90	123	-173 %
PROFIT/LOSS FOR FINANCIAL PERIOD	-2,776	-5,671	51 %	-3,527	-7,815	-55 %
Distribution:			0 %			
Parent company shareholders	-2,721	-5,671	52 %	-3,373	-7,815	-57 %
Non-controlling interests	-55			-154		
Earnings per share:						
Undiluted (EUR)	-0.00	-0.01	100 %	-0.01	-0.01	0 %
Diluted (EUR)	-0.00	0.00	0 %	-0.01	-0.01	0 %

COMPREHENSIVE INCOME STATEMENT, EUR THOUSAND

	1 Apr - 30 Jun 21	1 Apr - 30 Jun 20	Change (%)	1 Jan - 30 Jun 21	1 Jan - 30 Jun 20	Change (%)
Profit/loss for the financial period	-2,776	-5,671	-51 %	-3,527	-7,815	-55 %
Other items of comprehensive income						
Translation difference	277	854	-68 %	-804	620	-230 %
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-2,499	-4,817	-48 %	-4,331	-7,196	-40 %
Parent company shareholders	-2,446	-4,817	-49 %	-4,208	-7,196	-42 %
Non-controlling interests	-53			-123		

CONSOLIDATED BALANCE SHEET, EUR THOUSAND

ASSETS	**30 June 2021**	**30 June 2020**	**31 December 2020**
NON-CURRENT ASSETS			
Intangible assets	**2,120**	**3,842**	**2,741**
Goodwill	**6,937**	**7,206**	**7,485**
Tangible assets	**676**	**2,201**	**1,116**
Buildings and structures, rights-of-use	555	1,887	958
Machinery and equipment	80	265	101
Other tangible assets	41	49	57
Other non-current financial assets	**1,410**	**2**	**1,127**
NON-CURRENT ASSETS	**11,143**	**13,252**	**12,469**
CURRENT ASSETS			
Trade and other receivables	4,698	4,963	5,945
Income tax asset	192	263	223
Cash and cash equivalents	523	1,525	1,008
CURRENT ASSETS	**5,413**	**6,751**	**7,176**
ASSETS	**16,556**	**20,003**	**19,645**
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Parent company shareholders			
Share capital	585	585	585
Share premium account	219	219	219
Invested non-restricted equity fund	72,972	73,185	72,972
Retained earnings	-92,492	-81,681	-79,904
Profit/loss for the financial period	-3,373	-7,815	-11,820
Non-controlling interests	1,139	0	1,262
Parent company shareholders	-22,088	-15,507	-17,949
SHAREHOLDERS' EQUITY	**-20,950**	**-15,507**	**-16,686**
NON-CURRENT LIABILITIES	23,328	22,126	12,513
CURRENT LIABILITIES	14,178	13,383	23,818
SHAREHOLDERS' EQUITY AND LIABILITIES	**16,556**	**20,003**	**19,645**

CALCULATION OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY, EUR THOUSAND

A: Share capital
B: Share premium account
C: Invested unrestricted equity fund
D: Translation difference
E: Retained earnings
F: Total shareholders' equity attributable to the parent company's
G: Total shareholders' equity

	A	B	C	D	E	F	G	H
Shareholders' equity 1 Jan 2020	585	219	73,186	-129	-82,182	-8,321		-8,321
Other changes				-290	290			
Profit/loss for the financial period					-11,820	-11,820	-73	-11,893
Purchase of own shares			-214			-214		-214
Other items of comprehensive income								
Translation difference				1,481		1,481	15	1,496
Share-based remuneration					25	25		25
Transactions with non-controlling interests					901	901	1,320	2,221
Shareholders' equity 31 Dec 2020	585	219	72,972	1,062	-92,786	-17,948	1,262	-16,686

Shareholders' equity 1 Jan 2020	585	219	73,186	-129	-82,182	-8,321		-8,321
Other changes								
Profit/loss for the financial period					-7,815	-7,815		-7,815
Other items of comprehensive income								
Translation difference						-639		-639
Share-based remuneration					-10	-10		-10
Shareholders' equity 30 June 2020	585	219	73,186	510	-90,007	-15,507		-15,507

	A	B	C	D	E	F	G	H
Shareholders' equity 1 Jan 2021	585	219	73	1,062	-92,786	-17,948	1,262	-16,686
Other changes								
Profit/loss for the financial period					-3,373	-3,373	-154	-3,527
Purchase of own shares						0		0
Other items of comprehensive income								
Translation difference				-835		-835	31	-804
Share-based remuneration					67	67		67
Transactions with non-controlling interests								

Shareholders' equity 30 June 2021	585	219	72,972	227	-96,092	-22,089	1,139	-20,950

CONSOLIDATED CASH FLOW STATEMENT, EUR THOUSAND

	1 Jan - 30 Jun 2021	1 Jan - 30 Jun 2020	1 Jan - 31 Dec 2020
Cash flow from operations			
Earnings before taxes in the period	-3,437	-7,938	-12,057
Adjustments to cash flow from operations:			
Other income and expenses with no payment transactions	-711	0	649
Depreciation, impairment	1,601	5,229	7,037
Financial income and expenses	4	1,215	2,998
Other adjustments	916	200	-816
Cash flow financing before changes in working capital	-1,628	-1,295	-2,189
Change in working capital	-243	1,010	661
Interest received	6	7	10
Interest paid	-24	-9	-9
Taxes paid	-24	-6	220
Net cash flow from operations	**-1,913**	**-292**	**-1,305**
Cash flow from investments			
Investments in tangible and intangible assets	-18	-198	-248
Received investment grants	0	318	333
Cash flow from investments	**-18**	**119**	**85**
Net cash flow before financial items	**-1,931**	**-173**	**-1,220**
Cash flow from financing activities			
Purchase of own shares	0	0	-215
Transactions with non-controlling interests	0	0	1,096
Drawdown of long-term loans	1,000	1,000	1,000
Repayment of long-term loans	-33		-53
Drawdown of short-term loans	1,087	1,000	1,286
Repayment of short-term loans		-207	
Interest and other charges	-196	-234	-409
Repayment of lease liabilities	-412	-648	-1,266
Net cash flow from financing	**1,446**	**911**	**1,441**

Change in cash and cash equivalents	-485	739	221
Liquid assets, beginning of period	1,008	787	787
Liquid assets, end of period	523	1,525	1,008

Accounting principles

This interim report release has been prepared in accordance with IAS 34 – Interim Financial Reporting. The interim report release complies with the same accounting principles and calculation methods as the annual financial statements. New and revised standards have been implemented from the beginning of year 2020. With reference to the effect of the new and revised standards in 2021 IFRS IC finalized in April 2021 its agenda decision Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38 Intangible Assets). In this agenda decision IFRS IC considered, whether, applying IAS 38, the customer recognises an intangible asset in relation to configuration or customisation of the application software, and if an intangible asset is not recognized, how the customer accounts for the configuration or customisation costs. IFRIC agenda decisions have no effective date, so they are expected to be applied as soon as possible. As the Group has cloud computing arrangements in place, it has started to analyse, if this agenda decision has an impact to the accounting policies applied to implementation costs in cloud computing arrangements. The Group will undertake this analysis under the fall 2021, and the possible impacts will be implemented retrospectively in the financial statements 2021 at the latest.

The preparation of a financial statement release in accordance with IFRS requires the management to use certain estimates and assumptions that affect the amounts recognised in assets and liabilities when the balance sheet was prepared, as well as the amounts of income and expenses in the period. In addition, discretion must be used in applying the accounting policies. As the estimates and assumptions are based on outlooks on the balance sheet date, they contain risks and uncertainties. The realised values may deviate from the original assessments and assumptions.

The figures on the income statement and balance sheet are consolidated figures. All Group companies have been consolidated. The original release is in Finnish. The English release is a translation of the original.

The figures in the release have been rounded, so the sums of individual figures may deviate from the presented totals. This interim report is unaudited.

Going concern

The interim report release was prepared in accordance with the principle of the business as a going concern. The assumption of continuity is based management assumptions on several factors, including the following:

- The Group has completed significant cost-saving programs, which are expected to result in improvements to the Group's profitability from the second half of 2020 onwards. The operating costs decreased by EUR 1,3 million in comparison with the review period.
- The Group has invested in its key customers in line with its strategy, and this is expected to have a positive impact on sales trends.
- The company has restructured its financing in the review period by extending the payment period for loans from related parties and by transforming them into convertible bonds. Repayment for loans from financial institutions has also been extended.

- The company has increase in Group's cash pool overdraft by 2 million euros.

At interim report release date, the company expects its working capital to be sufficient to cover its needs over the next 12 months considering planned arrangements with the main owner.

Goodwill impairment testing and recognised impairment

Digitalist Group tested its goodwill for impairment on 30 June 2021. The goodwill is allocated to one cash-generating unit.

The goodwill test revealed that the utility value of the assets tested was EUR 0.5 million less than the book value, so a corresponding impairment charge was recognised against goodwill. Following the impairment, the amount of goodwill in the balance sheet at the end of the review period is EUR 6.9 million.

The company tests its goodwill based on the utility value of the assets. In the testing conducted on 30 June 2021 in conjunction with the financial statements, the cash flow forecasting period was from 2021 to 2025.

During the 2020–2024 forecasting period, average growth in revenue of 18 per cent is expected to be achieved as digitalisation spreads to an increasing share of business life. The operating margin is expected to rise to about 5 per cent by the end of the forecasting period.

The method involves comparing the tested assets with their cash flow over the selected period, taking into account the discount rate and the growth factor of the cash flows after the forecast period. The discount rate is 13 per cent per cent. The growth factor used to calculate the cash flows after the forecast period is 1 per cent. The weighted average operating profit margin for the forecast period was used to calculate the value of the terminal period. A negative change in significant individual assumptions used in the calculations would necessitate an additional goodwill impairment charge.

KEY INDICATORS

	1 Jan - 30 Jun 2021	1 Jan - 30 Jun 2020	1 Jan - 31 Dec 2020
Earnings per share (EUR) diluted	-0.01	-0.01	-0.02
Earnings per share (EUR)	-0.01	-0.01	-0.02
Shareholders' equity per share (EUR)	-0.03	-0.00	-0.03
Cash flow from operations per share (EUR) diluted	0.00	0.00	-0.00
Cash flow from operations per share (EUR)	0.00	0.00	-0.00
Return on capital employed (%)	-64.2	-153.2	-75.9
Return on equity (%)	neg	neg	neg
Operating profit/turnover (%)	-19.1	-59.8	-44.2

Gearing as a proportion of shareholders' equity (%)	-145.1	-175.8	-162.2
Equity ratio as a proportion of shareholders' equity (%)	-126.5	-77.5	-84.9
EBITDA (EUR thousand)	-1,832	-1,495	-2,021

MATURITY OF FINANCIAL LIABILITIES AND INTEREST ON LOANS

31 December 2020	Balance sheet value	Cash flow	Under 1 year	1-5 years	Over 5 years
Loans from financial institutions	3,364	3,483	759	2,724	0
Credit limits	5,513	0	0	0	0
Convertible bonds	17,881	19,475	9,437	10,038	0
Other related-party loans	0	0	0	0	0
Lease liabilities IFRS 16	965	950	805	146	0
Accounts payable	1,525	1,525	1,525	0	0

30 June 2021	Balance sheet value	Cash flow	Under 1 year	1-5 years	Over 5 years
Loans from financial institutions	3,493	3,639	718	2,920	0
Credit limits	6 793	0	0	0	0
Convertible bonds	20,072	23,885	0	23,885	0
Other related-party loans	0	0	0	0	0
Lease liabilities IFRS 16	557	567	468	99	0
Accounts payable	1,190	1,190	1,190	0	0

The Company has agreed with the main financier of financial institution loans that the installments will start on 30.4.2022. The installments of convertible bonds will start in 2024. Credit limits are valid until further notice.

OTHER INFORMATION

	1 Jan - 30 Jun 2021	1 Jan - 30 Jun 2020	1 Jan - 31 Dec 2020
NUMBER OF EMPLOYEES, average	177	227	208
Personnel at the end of the period	175	208	182
LIABILITIES, EUR THOUSAND			
Pledges made for own obligations			
Corporate mortgages	13,300	13,300	13,300
Total interest-bearing liabilities			
Long-term loans from financial institutions	2,837	2,871	2,632
Other long-term liabilities	20,127	17,881	9,410

Short-term interest-bearing liabilities	7,950	5,678	16,033
Total	**30,914**	**26,430**	**28,075**

CALCULATION OF KEY FINANCIAL FIGURES

EBITDA = earnings before interest, tax, depreciation and amortisation

Diluted earnings per share = Profit for the financial period / Average number of shares, adjusted for share issues and for the effect of dilution

Earnings per share = Profit for the financial period / Average number of shares adjusted for share issues

Shareholders' equity per share = Shareholders' equity / Number of undiluted shares on the balance sheet date

Cash flow from operations per share (EUR) diluted = Net cash flow from operations / Average number of shares, adjusted for share issues and for the effect of dilution

Return on investment (ROI) =
(Profit before taxes + Interest expenses + Other financial expenses) /
(Balance sheet total - non-interest-bearing liabilities (average)) x 100

Return on equity (ROE) = Net profit / Total shareholders' equity (average) x 100

Gearing = interest-bearing liabilities - liquid assets / total shareholders' equity x 100