Digitalist Group

Financial statements

1 Jan–31 Dec 2022

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Digitalist Group Plc
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Reg. no. 611.522
Business ID 0997039-6

Contents

Report of the Board of Directors

For 1 Jan–31 Dec 2022

Summary of the financial period

2022 financial period (comparable figures for 2021 in parentheses):

- Turnover: EUR 18.6 million (EUR 18.5 million), increase of 0.4%.
- EBITDA: EUR –2.8 million (EUR –1.8 million*), –15.0% of turnover (–9.6%).
- EBIT: EUR –4.4 million (EUR –5.3 million*)**, –23.9% of turnover (–28.8%).
- Net income: EUR –6.4 million (EUR –5.8 million*)**, –34.7% of turnover (–31.4%).
- Earnings per share (diluted and undiluted): EUR –0.01 (EUR –0.01).
- Cash flow from operations: EUR –2.2 million (EUR –3.7 million).
- Number of employees at the end of the review period: 150 (165), decrease of 9.1%.

** EDITBA, operating profit and net income for the comparison period include the recognised EUR 1.3 million profit from the divestment of Ticknovate.*

*** The operating profit and net income for the comparison period include a goodwill impairment charge of EUR –1.4 million.*

Business

Digitalist Group combines brand strategy, a good customer experience, design and technology to help our customers succeed and remain relevant in a constantly changing digital environment. We aim to expand internationally and profitably by designing new concepts, services and technology solutions for digitalising industries. Our innovative services offer Digitalist Group a competitive advantage in markets where companies have increasingly identified a positive customer experience as a key source of competitive advantage.

Our Branding service develops customers' brands, marketing and customer experiences. Our design services include digital, mobile and web design, as well as service and industrial design. The services range from planning strategy and user research to visual and interactive design, prototype design and usability studies. In technology services, we have robust expertise in developing creative software solutions with respect to hardware, embedded systems and software. We offer digital services for open-source environments (Drupal), and we are the leading web design and integration expert in Sweden. Our main customers in Sweden are municipalities, government agencies and NGOs that have chosen an open source strategy.

In addition to its business operations focusing on service and consultancy, Digitalist Group has two particularly interesting businesses with good growth opportunities, LeanLab and FutureLab, which have been incorporated into separate companies during the financial periods of 2021 and 2022. Of these, LeanLab is one of the key tools in our operational and user experience offering. This software solution provides the opportunity to build customer understanding and engage in joint development with customers and personnel. FutureLab & Partners, meanwhile, aims to respond to the needs of the growing markets of responsibility, sustainability and recycling. FutureLab & Partners helps introduce new technologies into the market quicker by lowering risks and by creating value in circular economy.

The Group's head office is in Helsinki. The Group has studios and significant business operations in Finland, Sweden (Stockholm) and Canada (Vancouver). At these studios, top experts of branding, design and technology work together and bring the benefits of cultural and geographic diversity to be utilised by our customers.

Year 2022

The year 2022 was meant to be the first normal year after the Covid pandemic, but instead, Europe has been struck by a new crisis, with the threat of war and recession just around the corner. The market conditions strained as a consequence have slowed our customers' decision-making processes and investments. This has led to shorter visibility in terms of the development of sales and turnover in some of our business areas, particularly towards the end of the year.

Turnover in 2022 was EUR 18.6 million (EUR 18.5 million in 2021). EDITBA remained unsatisfactory at EUR –2.8 million. Going into 2023, our cost structure is considerably lower than in 2022, and we are continuing on this track by cutting down our general costs and implementing austerity measures without compromising on our capacity for implementation. Further measures will be taken to improve our operating methods and business organisation. Improving our profitability, operational cashflow and financial position remain our key goals for 2023.

In December, we underwent change negotiations in our subsidiary Digitalist Finland Ltd. The goal was to improve the profitability of Digitalist Finland, to adapt its cost structure and to prepare for the new market conditions. It is estimated that these measures will result in annual savings of approx.

EUR 0.7 million. We have additionally adapted our cost structure in our subsidiaries Grow AB in Sweden and Digitalist Canada, with the goal of entering into 2023 with a sounder financial framework.

In November, FutureLab & Partners AB was separated from Grow AB as a new subsidiary and now acts as a separate company under Digitalist Group. Over the past three years, FutureLab has been built as part of Grow, and it is now ready to be launched as a subsidiary in its own right.

Our SaaS business, LeanLab continued to grow in 2022 and now aims to enter the Swedish market. In 2023, the LeanLab business will focus on expanding its ongoing software revenues from the company's customer collaboration platform.

A stronger focus on the public sector and organisations in 2022 led to several new framework agreements in Digitalist Group's subsidiaries. In addition, Digitalist Sweden AB, a subsidiary of Digitalist Group Plc, will continue its long term partnership with a Swedish public-sector entity, providing planning and development services valued at approximately EUR 1.8 million in 2023. This partnership supports Digitalist Group's growth in the public sector, helping us to create business opportunities in sectors that are less impacted by the weaker market conditions.

In 2023, we will introduce an organisation with focus and the capability to deliver, even though the market outlook is characterised by considerable uncertainty. Working in smaller units has made us more agile and capable of adapting to change. We still have plenty of work ahead of us, but we strongly believe that the company has an attractive offering and strong teams, enabling us to provide services in a constantly changing world.

General meeting of 26 April 2022 and Board of Directors' authorisations

Digitalist Group Plc's Annual General Meeting, which was held on 26 April 2022, adopted the financial statements for the financial year that ended on 31 December 2021 and discharged the members of the Board of Directors and the CEO from liability for the financial period that ended on 31 December 2021. As proposed by the Board of Directors, the Annual General Meeting decided not to pay a dividend for 2021.

The Annual General Meeting decided that the Board of Directors would have six members. Paul Ehrnrooth, Andreas Rosenlew, Esa Matikainen, Peter Eriksson, Maria Olofsson and Johan Almquist were re-elected as members of the Board of Directors.

The Annual General Meeting decided to pay the following emoluments to members of the Board of Directors: chair of the Board: EUR 40,000/year and EUR 500/meeting, deputy chair: EUR 30,000/year and EUR 250/meeting, other Board members: EUR 20,000/year and EUR 250/meeting. The fee for meetings of the Board's committees is EUR 500/meeting for the chair and EUR 250/meeting for the members.

KPMG Oy Ab, a firm of auditors, was elected as the company's auditor. The auditor with principle responsibility nominated by the audit firm is Miika Karkulahti, Authorised Public Accountant. The decision was taken to pay the auditor's fee in accordance with a reasonable invoice.

At the end of the financial period, the Board of Directors had two valid authorisations. The Annual General Meeting held on 26 April 2022 granted the following authorisations:

The Annual General Meeting authorised the Board of Directors to decide on a paid share issue, as well as the issue of options and other special rights entitling their holders to shares as referred to in chapter 10, section 1 of the Limited Liability Companies Act, or a combination of all or some of the foregoing on one or more occasions.

The maximum number of new shares that will be issued pursuant to the authorisation is 325,511,370. The Board of Directors exercised its authority and decided on a directed issue of 31,400,000 shares on 28 October 2022.

The general meeting authorised the Board of Directors to decide on the acquisition or distraint of up to 65,102,000 of the company's own shares using the company's distributable assets. The Board of Directors had not exercised this authorised by the date of publication of the financial statements.

The minutes of the Annual General Meeting and the decisions made are on the company's website at https://investor.digitalistgroup.com/fi/investor/governance/annual-general-meeting.

Offices

Our offices are located in our primary markets of Finland, Sweden and Canada. All our offices are staffed by technology and design experts as well as a local sales organisation.

Segments

Digitalist Group reports its business in a single segment.

Turnover

The Group's turnover for the period totalled EUR 18.6 million (EUR 18.5 million), which is 0.4% more than in the previous year. Full-year turnover fell below the target, although the trend was positive, especially in the first two quarters. Turnover outside Finland accounted for the majority of the Group's turnover in the financial period, standing at 77% (77%).

Earnings

EBITDA for the financial period was EUR –2.8 million (EUR –1.8 million), EBIT was EUR –4.4 million (EUR –5.3 million), and earnings before taxes were EUR –6.4 million (EUR –5.8 million). Efficiency enhancement measures reduced the costs of materials, services and personnel by EUR 0.5 million year-on-year. EBITDA in the comparison period was affected by the EUR 1.3 million capital gain from the divestment of Ticknovate Ltd. The foreign exchange gains recognised on balance sheet items in the comparison period had a significant effect on financial items, which amounted to EUR –2.0 million (EUR –0.5 million). Earnings for the financial period came to EUR –6.4 million (EUR –5.8 million), earnings per share were EUR –0.01 (EUR –0.01), and cash flow from operations per share was EUR –0.00 (EUR –0.01). The comparable net income of 2021 was impacted by a goodwill impairment charge of EUR 1.4 million.

Investments

Investments during the financial period totalled EUR 0.0 million (EUR 0.0 million). There were no research and development expenses during the financial period. At the end of the review period, research and development expenses capitalised on the balance sheet totalled EUR 0.0 million (EUR 0.0 million).

Balance sheet, financing and return on equity

The balance sheet total was EUR 12.2 million (EUR 14.1 million). The balance sheet total decreased due to depreciation, exchange rate changes and a faster turnaround of trade receivables. Shareholders' equity amounted to EUR –30.8 million (EUR –24.6 million). Of this, the amount attributable to minority interests was EUR 0.5 million (EUR 0.5 million). The solvency ratio was –252.0% (–174.1%). Return on equity (ROE) was negative. Return on investment (ROI) was –75.6 (–54.4) per cent. The Group's shareholders' equity was negatively affected by the loss for the financial period. Shareholders' equity was positively affected by the directed share issue to the main owner. Further information in related-party transactions.

At the end of the period, the Group's liquid assets totalled EUR 0.9 million (EUR 1.0 million). The Group's parent company had EUR 4.4 million (EUR 2.2 million) of shareholders' equity.

At the end of the financial period, the Group's balance sheet recognised EUR 11.0 million(EUR 10.7 million) in loans from financial institutions, including the overdrafts in use. Lease liabilities under IFRS 16 amounted to EUR 1.3 million (EUR 1.5 million). In addition, the company has loans from its main owners. On 31 December 2022, the Group's interest-bearing liabilities amounted to EUR 35.3 million (EUR 32.7 million), of which related-party loans amounted to EUR 23.1 million (EUR 20.5 million). Of the related-party loans, EUR 16.9 million (EUR 10.2 million) are subordinated loans. The interest on subordinated loans was recognised as an expense. The loan agreements made with related-party companies during the financial period are in the section of the review entitled related-party transactions. Further information about subordinated loans is provided in the notes concerning the parent company.

Cash flow

The Group's cash flow from operating activities during the review period was EUR –2.2 million (EUR –3.7 million), a change of EUR 1.5 million. Cash flow from operations was mainly affected by a change in working capital.

In order to reduce the rate of turnover of trade receivables, the Group sells some of its trade receivables from Finnish customers. Trade receivables worth EUR 3.1 million (EUR 3.0 million) were sold during the financial period.

Goodwill

On 31 December 2022, the consolidated balance sheet recognised EUR 4.7 million (EUR 5.2 million) in goodwill. The change in comparison with the preceding year is due to exchange rate changes. The company tested its goodwill in accordance with IAS 36 on 30 June 2022 and 31 December 2022. There was no need for impairment charge. The write-down in the comparison year was EUR 1.4 million.

Personnel

The average number of employees during the financial period was 159 (172), and the Group had 150 (165) employees at the end of the period. At the end of the financial period, 60 (57) of the Group's personnel were employed in the companies in Finland and 90 (108) were employed in the companies abroad.

Shares and share capital

TRADING VOLUME AND PRICE

During the financial period, the highest price of the company's shares was EUR 0.04 (EUR 0.05), the lowest price was EUR 0.02 (EUR 0.03), and the closing price on 31 December 2022 was EUR 0.02 (EUR 0.03). The average share price in the financial period was EUR 0.03 (EUR 0.04). During the financial period, 72,922,485 (94,311,641) shares were traded, corresponding to 10.7 (14.5) per cent of the number of shares in circulation at the end of the period. Market capitalisation at the closing share price on 31 December 2022 was EUR 12,966,032 (EUR 20,832,728). Further information in the section of the notes entitled “Information on shares, shareholders and options”.

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 682,422,746 shares. The company has one class of shares. At the end of the reporting period, the company held a total of 7,664,943 shares (7,664,943), which is 1.1 per cent of all shares.

OPTION SCHEMES 2019 AND 2021

The company's Board of Directors stated that the undistributed options from the 2019 option scheme have lapsed. Of the options included in the 2019 stock option scheme, a total of 3,580,500 options belonging to the 2019A1 and 2019A2 series were granted These options enable the subscription of a maximum of 1,302,000 new shares in the company in accordance with the conditions of the option scheme The options programme has lapsed in other regards.

On 25 January 2021, Digitalist Group Plc's Board of Directors decided on the granting of options based on the authorisation conferred by the Annual General Meeting of 14 April 2020. The options are labelled 2021A1, 2021A2, 2021B1, 2021B2 and 2021C1. A maximum total of 60,000,000 options can be issued, and they entitle their holders to subscribe for a maximum of 60,000,000 new shares in the company.

The theoretical market value of the options allocated by the end of the review period is approximately EUR 0.9 million, which will be recognised as expenditure in accordance with IFRS 2 from 2021 to 2025. A total of EUR 0.2 million of the expenditure item will be allocated to 2022. There will be no cash-flow effect from the expense. Descriptions of the option programmes are on the company's website at https://digitalist.global.

SHAREHOLDERS

The number of shareholders on 31 December 2022 was 5,457 (5,128). Private individuals owned 10.1 (9.7) per cent and entities held 79.5 (80.8) per cent. Foreign nationals or entities held 10.4 (9.5) per cent of the shares. Nominee-registered shares accounted for 3.4 (2.8) per cent of the total.

Related-party transactions

FINANCING ARRANGEMENTS WITH RELATED PARTIES

Subordinated loan 23 March 2022

On 23 March 2022, Digitalist Group Plc's Board of Directors decided to exercise the authorisation granted to it by Holdix Oy Ab, the second-largest shareholder, to convert three quarters of the bonds from the 2021/4 convertible bond loan and their nominal capital, totalling EUR 4,545,824.70, and the unpaid interest in accordance with the terms of the convertible bond loan into a subordinate loan complying with the regulations of chapter 12, sections 1 and 2 of the Limited Liability Companies Act, keeping the remainder of the terms and conditions otherwise unchanged as applicable.

Holdix Oy Ab is the second largest shareholder of Digitalist Group.

Arrangement concerning Yangi AB, 24 March 2022

Digitalist Group reached an agreement on the implementation of an arrangement (the Arrangement) concerning Yangi AB, a Swedish company:

Under the Arrangement:

Grow AB, a Swedish subsidiary of Digitalist Group, subscribed for a total of 11,111 shares in Yangi AB based on an option previously granted to it. The subscription price was SEK 5,000,000. To increase financial flexibility, Grow AB will then sell a total of 7,778 Yangi AB shares to Turret Oy Ab for a total purchase price of SEK 6,300,000.

In relation to the above arrangement, Digitalist Group Plc has made an agreement with Turret Oy Ab on a loan amounting to EUR 500,000. The loan was granted on market terms, and the maturity was set at 30 April 2023.

Turret Oy Ab is the largest shareholder of Digitalist Group.

Short-term loan from Turret Oy Ab 27 June 2022

Digitalist Group Plc has made an agreement with Turret Oy Ab on a short-term loan amounting to EUR 1,200,000. The loan was agreed on market terms, and the maturity was set at 31 October 2022.

Turret Oy Ab is the largest shareholder of Digitalist Group.

Directed convertible bond loan with equity capital and directed share issue in favour of Turret Oy Ab, 28 October 2022

Convertible Bond 2022/1

Convertible Bond Loan 2022/1 was directed at Turret Oy Ab (Turret) and amounted to EUR 1,931,500, divided across five bonds (the “Bond”). According to the Terms, Convertible Bond 2022/1 can be converted into a maximum of 128,766,665 new shares in Digitalist Group. Turret subscribed for Convertible Bond 2022/1 and the associated Special Rights in full in accordance with the Terms, and the Company's Board of Directors approved Turret's subscription.

The assets received from Convertible Bond 2022/1 were used to improve the Company's liquidity and maintain and increase its solvency, so there was a weighty financial reason in the meaning of chapter 9, section 4(1) of the Limited Liability Companies Act for the Company to borrow the funds and derogate from the pre-emptive rights of shareholders. An arrangement fee was paid for Convertible Bond 2022/1 at market prices.

In accordance with the terms and conditions of Convertible Bond 2022/1, Turret paid the subscription price for Convertible Bond 2022/1, totalling EUR 1,931,500, by offsetting the Company's outstanding loan from Turret, with EUR 1,200,000.00 of principal on the subscription date 27 June 2022 (the “Principal of Loan 6/2022"), and the interest on the loan principal and other expenses accumulated by the subscription date of EUR 22,290.41 (the “Costs of Loan 6/2022”), for a total of EUR 1,222,290.41, from the subscription price of Convertible Bond 2022/1, and paying EUR 709,209.59 in cash into the Company's bank account.

Directed Share Issue

A total of up to 31,400,000 new shares in the Company (the “Shares") were issued in a Directed Share Issue for Turret to subscribe in derogation from the shareholders' pre-emptive rights. The share subscription price in the Directed Share Issue was EUR 0.022 per share.

The assets received from the Directed Share Issue were used to improve the Company's liquidity and maintain and increase its solvency, so there was a weighty financial reason in the meaning of chapter 9, section 4(1) of the Limited Liability Companies Act for the Company to issue the shares and derogate from the pre-emptive rights of shareholders. Turret subscribed to the full number of Shares offered in the Directed Share Issue. The share subscription price was a total of EUR 690,800.

The Shares issued in the Directed Share Issue correspond to approximately 4.6 per cent of all the shares and votes in the Company following the Directed Share Issue. The Shares entitle their holders to any full dividends and other distributions of assets by Digitalist Group and confer the other rights of shareholders in the Company as of the date when the Shares were entered into the Trade Register and the Company's shareholder register, 21 November 2022.

Turret Oy Ab is the largest shareholder of Digitalist Group.

The conditions of the convertible bonds are available on the company's website at https://investor.digitalistgroup.com/fi/investor/releases. The company announced the details of the convertible bonds and the directed share issue on 28 October 2022 and published a stock exchange release on the management's transactions on 30 October 2022.

Changes in the Group structure

Digitalist Finland Ltd sold the entire share capital of LeanLab to Digitalist Group Plc on 30 June 2022 to simplify the structure of the Group. Grow AB registered its Futurelab business as a company named Futurelab & Partners AB on 1 December 2022 and sold its entire share capital to Digitalist Group Plc on 30 December 2022. The dissolution of Digitalist Singapore Pte Ltd was registered on 15 December 2022.

Events since the financial period

On 2 January 2023, Digitalist Sweden AB, a Swedish subsidiary of Digitalist Group Plc, signed a continuation agreement with a Swedish public sector entity on the provision of design and development services. The agreement is part of long-term co-operation and has a value of about EUR 1.8 million. The services are planned to be provided in 2023. The agreement will underpin Digitalist Group's growth in Sweden and support its aim of operating as a strategic partner in digitalisation.

Digitalist Group Plc and its wholly-owned subsidiary Digitalist Finland Ltd signed the final agreement on an arrangement (the “Arrangement”) under which Digitalist Finland Ltd will purchase Walker & Handson Oy (“W&H”) to strengthen the management, technology and design operations of Digitalist Finland Ltd. Under the Arrangement, Digitalist Finland Ltd acquired all of W&H's shares in an exchange of shares by directing to W&H in a directed share issue an amount of new Digitalist Finland Ltd shares equivalent to approximately 10% of all Digitalist Finland Ltd shares after the Arrangement. Under the Arrangement, W&H's owner Jussi Hermunen was appointed CEO of Digitalist Finland Ltd as of 1 February 2023.

At the beginning of 2023, the company agreed with the financing bank to increase the financing limit by 0.7 million euros. In February, Business Finland made a decision not to collect on the 0.3 million euro portion of the product development loan.

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 Group's made a loss despite the efficiency improvement measures. The company's loss-making performance directly affects its working capital and the sufficiency of its financing. This risk is managed by maintaining the capacity to use different financing solutions. The company endeavours to continuously assess and monitor the amount of financing the business requires in order to ensure that the company has the necessary liquid assets to finance its operations and repay its loans. Any disruptions in the financial arrangements would weaken Digitalist Group's financial position.

The company is currently dependant 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 2022, the company rearranged its short-term loans with both the main owner and a financial institution. The rearranged loans have become the company's non-current liabilities, thereby lightening the loan repayment obligations for the near future.

Any changes to key customer accounts could have a substantial impact on Digitalist Group's operations, earning potential 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. Forecasting the start dates and scopes of new products is occasionally challenging, while the cost structure is largely fixed. The aforementioned matters could cause unforeseen fluctuations in turnover and, thereby, in profitability. Some of the Group's business consists of fixed-price deliveries. Fixed-price customer deliveries carry risks related to timing and content. The Company endeavours to manage these risks through contractual and project management measures.

Irrespective of the market situation, there is a shortage of certain experts in the Group's business sector. Furthermore, the aggressive recruitment policies in the Group's business sector may increase the risk of personnel moving to competitors. There are no guarantees that the company will be able to retain its current personnel and recruit new employees to sustain growth. If Digitalist Group loses a significant amount of 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.

Cost inflation is exerting pressure to raise salaries, so the importance of cost monitoring is emphasised further. Rising interest rates do not have a significant direct impact on financing costs because most of the Company's debts have fixed interest rates. If the interest rates on the Company's loans from financial institutions rose by 1 per cent, the Company's annual interest costs would rise by approximately EUR 0.1 million.

Part of the Group's turnover is invoiced in currencies other than the euro. The risk associated with changes in exchange rates can be managed in various ways, including net positioning and currency hedging contracts. In 2022 and 2021, the Group had no hedging contracts.

The Group's balance sheet contains goodwill that is subject to write-down 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.

The Group has no business activities in Russia or Ukraine. The political and military situation in Russia and Ukraine may affect the business activities of some of the Group's customers, thereby indirectly affecting the Group's business. The rise in economic uncertainty at the end of 2022 affected the Group's business, but the upcoming impact in 2023 is difficult to estimate.

Despite the implemented efficiency measures and financial arrangements, the cash flow for the next 12 months is likely to be negative, according to the forecast. However, at the time of publishing the financial statements, the company estimates that its working capital is sufficient for the needs of the next 12 months, taking into account the individual commitment given by the largest owner.

Corporate governance

Digitalist Group Plc is governed in accordance with the Finnish Limited Liability Companies Act (624/2006, including amendments), Securities Markets Act (746/2012, including amendments), the Market Abuse Regulation (EU) No 596/2014 (MAR), Nasdaq Helsinki Ltd's rules and regulations for listed companies, and Digitalist Group Plc's Articles of Association. In addition, the company complies with the Corporate Governance Code 2020 with respect to the recommendations that took effect on 1 January 2020. The Corporate Governance Statement, which listed companies are required to publish under the Corporate Governance Code, was appended to the review by the Board of Directors, published on 31 March 2023. The report is available on the company's website. Insider guidelines in accordance with the MAR ((EU) No. 596/2014) were published as a separate appendix to the review by the Board of Directors in September 2018. The report is available on the company's website.

Parent company

The parent company, Digitalist Group Plc, had no turnover in 2022 and 2021. The operating profit was EUR –1.2 million (EUR –2.4 million). Earnings for the financial period were EUR –5.3 million (EUR –14.1 million). The earnings for the period were affected by an impairment charge of EUR 2.5 million (EUR 12.0 million) on subsidiary shares and Group receivables.

The balance sheet total was EUR 28.0 million (EUR 26.3 million). Shareholders' equity amounted to EUR –12.5 million (EUR –8.0 million). Shareholders' equity was EUR 4.4 million (EUR 2.2 million), including EUR 16.9 million of subordinated loans.

The equity ratio was 15.6% (8.3%), taking into account the subordinated loans. At the end of the period, the parent company's liquid assets totalled EUR 0.00 million (EUR 0.00 million).

The average number of employees during the financial period was 1 (2), and the Group had 0 (2) employees at the end of the period. Salaries and bonuses amounted to EUR 0.4 million (EUR 0.7 million), pension expenses were EUR 0.0 million (EUR 0.1 million), and other personnel add-on costs were EUR 0.0 million (EUR 0.0 million). Personnel expenses totalled EUR 0.4 million (EUR 0.8 million), which was approximately 26.7 per cent of operating expenses (31.0 per cent).

Cash flow from operating activities in the financial period amounted to EUR –0.4 million (EUR –2.6 million).

Future prospects

In 2023, turnover and EBITDA are expected to improve in comparison with 2022.

Proposal by the board of directors to the annual general meeting

The Board of Directors of Digitalist Group Plc proposes to the Annual General Meeting that the distributable funds be retained in shareholders' equity and that no dividend be distributed to shareholders for the 2022 financial period. On 31 December 2022, the parent company had distributable assets of EUR –13,353,739.

Digitalist Group Plc's Annual General Meeting will be held in Helsinki on Wednesday 26 April 2023.

Key indicators

Key indicators for the Group

	IFRS 1 Jan–31 Dec 2022	IFRS 1 Jan–31 Dec 2021	IFRS 1 Jan–31 Dec 2020	IFRS 1 Jan–31 Dec 2019	IFRS 1 Jan–31 Dec 2018
Turnover (EUR thousands)	18,563	18,482	20,487	27,401	24,737
Turnover (% change)	0.4%	−9.8%	−25.2%	10.8%	23.7%
EBITDA* (EUR thousand)	−2,786	−1,778	−2,021	−3,716	−4,845
% of turnover	−15.0%	−9.6%	−9.9%	−13.6%	−19.6%
Operating profit/loss (EUR thousand)	−4,429	−5,315	−9,059	−14,087	−6,432
% of turnover	−23.9%	−28.8%	−44.2%	−51.4%	−26.0%
Profit/loss before taxes (EUR thousand)	−6,448	−5,794	−12,057	−14,998	−7,063
% of turnover	−34.7%	−31.4%	−59.0%	−54.7%	−28.6%
Balance sheet total (EUR thousand)	12,213	14,120	19,645	26,280	32,222
Return on equity (%*)	neg.	neg.	neg.	neg.	neg.
Return on capital employed (%*)	−75.6%	−54.4%	−75.9%	−69.4%	−28.3%
Interest-bearing liabilities (EUR thousand)	35,302	32,669	28,075	26,866	16,299
Financial assets, cash and cash equivalents (EUR thousand)	899	984	1,008	787	314
Net gearing*	−111.8%	−128.9%	−162.2%	−313.4%	227.2%
Equity ratio*	−252.0%	−174.1%	−84.9%	−31.7%	21.8%
Investments, EUR thousands*	39	48	28	1,847	7,363
% of turnover	0.2%	0.3%	0.1%	6.7%	29.8%
Average number of personnel	159	172	208	261	258
Number of personnel at the end of the financial period	150	165	182	246	270

* *Investments do not include leases in accordance with IFRS 16.*

Key indicators per share

	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Earnings per share (EUR), diluted (EUR) and*	−0.01	−0.01	−0.02	−0.02	−0.01
Earnings per share (EUR), undiluted (EUR*)	−0.01	−0.01	−0.02	−0.02	−0.01
Price-to-earnings ratio*	neg.	neg.	neg.	neg.	neg.
Closing price (EUR)	0.02	0.03	0.04	0.05	0.05
Average number of shares adjusted for share issues*	1,035,979,023	651,022,746	651,022,746	651,022,746	609,376,504
Number of shares at the end of the financial period	682,422,746	651,022,746	651,022,746	651,022,746	651,022,746
Average number of shares adjusted for the dilution effect*	654,721,924	1,015,830,193	1,108,794,366	651,022,746	609,376,504
Dividend/share (%)	0.00%	0.00%	0.00%	0.00%	0.00%
Dividend/share (EUR)	0.00	0.00	0.00	0.00	0.00
Effective dividend yield (%)	0.00%	0.00%	0.00%	0.00%	0.00%
Shareholders' equity/share (EUR)	−0.05	−0.04	−0.03	−0.01	0.01

Digitalist Group presents alternative key indicators to supplement its consolidated financial statements, which are prepared in accordance with IFRS standards. The purpose of these indicators is to measure growth and describe the financial performance of the company's operations. The Group has applied the European Securities and Markets Authority (ESMA) guidelines on alternative performance measures, which took effect on 3 July 2016.

** The number of shares and the key indicators per share were affected by the acquisition of Grow Group in 2018, as well as the conversion of the convertible bond loan and directed share issues.*

Return on equity (%)

	2022	2021	2020	2019	2018
Profit before taxes	−6,448	−5,794	−12,057	−14,998	−7,063
Financial expenses	−2,404	−2,000	−3,219	−1,994	−1,364
Balance sheet total Q4 2018					32,222
Balance sheet total Q4 2019				26,280	
Balance sheet total Q4 2020			19,645		
Balance sheet total Q4 2021		14,120			
Balance sheet total Q4 2022	12,213				
Non-interest-bearing liabilities Q4 2018					8,911
Non-interest-bearing liabilities Q4 2019				7,735	
Non-interest-bearing liabilities Q4 2020			8,256		
Non-interest-bearing liabilities Q4 2021		6,036			
Non-interest-bearing liabilities Q4 2022	7,686				
Return on capital employed (%)	**−75.6%**	**−54.4%**	**−75.9%**	**−69.4%**	**−28.3%**

Principles for calculating the key indicators

EBITDA = Earnings before interest, taxes, depreciation and impairment

$$\textbf{Return on equity} = \frac{\text{Profit/loss for the financial period}}{\text{Shareholders' equity}} \times 100$$

$$\textbf{Return on equity} = \frac{\text{Profit before taxes + Financial expenses}}{\text{Balance sheet total – Non-interest-bearing liabilities (average over the year)}} \times 100$$

$$\textbf{Equity ratio (\%)} = \frac{\text{Total shareholders' equity}}{\text{Balance sheet total – Advances received}} \times 100$$

$$\textbf{Net gearing} = \frac{\text{Interest bearing liabilities – Liquid assets}}{\text{Total shareholders' equity}}$$

$$\textbf{Diluted earnings per share} = \frac{\text{Profit/loss for the financial period attributable to the owners of the parent company}}{\text{Average number of shares over the year, adjusted for dilution and share issues}}$$

$$\textbf{Shareholders' equity per share} = \frac{\text{Parent company's shareholders' equity}}{\text{Number of shares on the balance sheet date}}$$

$$\textbf{Dividend yield} = \frac{\text{Dividend paid for the financial period}}{\text{Shareholders' equity}}$$

$$\textbf{Price-to-earnings ratio} = \frac{\text{Share price at the end of the financial period}}{\text{Diluted earnings per share}}$$

$$\textbf{Effective dividend yield} = \frac{\text{Dividend per share}}{\text{Share price at the end of the financial period}} \times 100$$

Dilution effect = Number of shares of the company + Number of options allocated – Number of treasury shares to be obtained at the option subscription price, priced at the volume-weighted average price for the period

Information on shares, shareholders and options

Shares

SHARE CAPITAL AND SHARES

Digitalist Group Plc's share capital was EUR 585,394.16 on 31 December 2022.

The total number of shares in the company was 682,422,746 on 31 December 2022.

Stock exchange quotations

Digitalist Group Plc is listed on Nasdaq Helsinki.

The company has one class of shares: DIGIGR.

	2022	2021	
Subscription price of shares on flotation 1 Oct 1999	5.75	5.75	EUR
Highest quotation for shares during the financial period	0.04	0.05	EUR
Lowest quotation for shares during the financial period	0.02	0.03	EUR
Share price 31 Dec	0.02	0.03	EUR
Market capitalisation 31 Dec	12,966,032	20,832,728	EUR
Share trading volume 1 Jan–31 Dec	72,922,485	94,311,641	shares
Total trading volume in euros	1,839,402	3,846,745	EUR
Average price 1 Jan–31 Dec	0.03	0.04	EUR
Share trading volume (% of the total number of shares) 31 Dec	10.7%	14.5%	
Weighted number of shares adjusted for the share issue 31 Dec	654,721,924	651,022,746	shares
Number of shares adjusted for the dilution effect 31 Dec	1,035,979,023	1,015,830,193	shares
Number of shares 31 Dec	682,422,746	651,022,746	shares

Ownership of shares

	Number of shares	Proportion of shares (%)	Number of holders
Individuals	69,095,018	10.12%	5,342
Institutions	590,213,635	86.49%	115
Nominee-registered shares	23,114,093	3.39%	
Total	**682,422,746**	**100.00%**	**5,457**
Institutional holdings			
Companies	357,096,299	52.33%	
Financial and insurance institutions	185,362,262	27.16%	
Public corporations	0	0.00%	
Non-profit organisations	502	0.00%	
Foreign countries	70,868,665	10.38%	
Total	**613,327,728**	**89.88%**	
of which nominee-registered shares	23,114,093	3.39%	

Largest shareholders

	Number of shares	Proportion of shares (%)
Turret Oy Ab	336,637,039	49.33%
Holdix Oy Ab	164,358,406	24.08%
Rosebloom Ventures Ab	44,427,665	6.51%
Elmtwig Holding Ab	12,901,841	1.89%
Digitalist Group Plc	7,664,943	1.12%
Nordea Bank Abp	7,330,247	1.07%
Niclas Engsäll Ab	4,687,666	0.69%
Rome Advisors Oy	4,549,962	0.67%
Österlund Jori Ville Ferdinand	4,074,561	0.60%
Elsa Victorin Ab	2,588,557	0.38%
Sjöblom Katri Pauliina	1,790,000	0.26%
Karisma-Invest Oy	1,700,000	0.25%
Hämäläinen Kari Heikki Kristian	1,671,931	0.24%
Fennia Life Insurance Company Ltd	1,517,196	0.22%
4capes Oy	1,367,895	0.20%
Liselotte Tingvall Holding Ab	1,322,145	0.19%
Elo Mutual Pension Insurance Company	1,240,000	0.18%
Rapeli Marko Teo Mikael	1,111,000	0.16%
Suihkonen Raisa Maria	1,000,000	0.15%
Laaksonen Lars	1,000,000	0.15%
Others	79,481,692	11.65%
Total	**682,422,746**	**100.00%**

Distribution of ownership

	Shares	Proportion of shares (%)	Shares	Proportion of shares (%)
1–100 shares	909	16.66%	41,963	0.01%
101–1,000 shares	1,700	31.15%	911,703	0.13%
1,001–10,000 shares	1,991	36.49%	8,303,231	1.22%
10,001–100,000 shares	731	13.40%	22,192,256	3.25%
100,001–1,000,000 shares	104	1.91%	27,434,288	4.02%
Over 1,000,000 shares	22	0.40%	623,539,305	91.37%
Total	**5,457**	**100.00%**	**682,422,746**	**100.00%**

Management shareholdings and options

	Holding 2022	Number of votes (%)	Holding 2021
Shares owned by the CEO and members of the Board of Directors	397,427,364	58.24%	362,566,545
Options held by the CEO and members of the Board of Directors	4,301,000	0.63%	14,912,819

Consolidated statement of comprehensive income

Consolidated income statement (IFRS)

EUR thousand	Note	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Turnover	**2, 4**	**18,563**	**18,482**
Other operating income	5	279	1,843
Materials and services	6	–4,256	–3,246
Expenses from employee benefits	7, 8	–13,701	–15,177
Depreciation and impairment	9	–1,643	–2,156
Impairment of goodwill	9, 14	0	–1,382
Other operating expenses	10	–3,670	–3,679
Total expenses		**–23,271**	**–25,641**
Operating profit		**–4,429**	**–5,315**
Financial income		385	1,521
Financial expenses		–2,404	–2,000
Total financial income and expenses	**11**	**–2,019**	**–479**
Profit before taxes		**–6,448**	**–5,794**
Income taxes	12	6	–5
Profit/loss for the financial period		**–6,442**	**–5,799**
Distribution			
Parent company shareholders		–6,533	–5,797
Non-controlling interests		90	–2
Earnings per share EUR (diluted and undiluted)	13	–0.01	–0.01

Consolidated statement of comprehensive income (IFRS)

EUR thousand	Note	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Profit/loss for the financial period		**–6,442**	**–5,799**
Other items of comprehensive income			
Items that may later be transferred to items recognised through profit or loss			
Translation difference		–711	–1,559
Total of other items of comprehensive income for the financial period		**–711**	**–1,559**
Total comprehensive income for the financial period		**–7,154**	**–7,358**
Comprehensive income distribution for the financial period			
Owners of the parent company		–7,247	–7,343
Non-controlling interests		93	–15

Consolidated balance sheet

Consolidated balance sheet (IFRS)

ASSETS

EUR thousand	Note	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Non-current assets			
Goodwill	9, 14	4,678	5,166
Other intangible assets	9, 14	110	857
Tangible assets	9, 15, 16	1,201	1,629
Other investments	17	102	2
Long-term loan receivables	17, 24	1,208	1,132
Deferred tax asset	12	37	40
Total non-current assets		**7,335**	**8,825**
Current assets			
Trade receivables	4, 18	3,360	3,733
Other receivables	18	619	579
Cash and cash equivalents	17	899	984
Total current assets		**4,878**	**5,295**
Total assets		**12,213**	**14,120**

SHAREHOLDERS' EQUITY AND LIABILITIES

EUR thousand	Note	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Shareholders' equity			
Parent company's shareholders' equity			
Share capital	19	585	585
Share premium account	19	219	219
Invested non-restricted equity fund	19	73,662	72,971
Retained earnings		−99,210	−93,069
Profit/loss for the financial period		−6,533	−5,797
Total shareholders' equity attributable to the parent company's owners		−31,276	−25,091
Total shareholders' equity attributable to non-controlling interests	20	503	506
Total shareholders' equity		**−30,774**	**−24,585**
Non-current liabilities			
Financial liabilities	22, 24	25,594	23,677
Deferred tax liabilities	12	17	168
Total non-current liabilities		**25,612**	**23,846**
Current liabilities			
Accounts payable	22, 23	1,373	1,348
Other financial liabilities	22, 24	9,707	8,992
Other liabilities	22, 23	6,296	4,520
Total current liabilities		**17,376**	**14,860**
Total shareholders' equity and liabilities		**12,213**	**14,120**

Consolidated cash flow statement

EUR thousand	Note	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Cash flow from operations			
Earnings before taxes in the period		−6,448	−5,794
Adjustments to cash flow from operations			
Other income and expenses with no payment transactions		239	−1,146
Depreciation and impairment	9	1,643	3,538
Unrealised foreign exchange gains and losses		−243	67
Other adjustments		−47	0
Financial income and expenses	11	2,019	479
Cash flow financing before changes in working capital, interest and taxes		**−2,837**	**−2,856**
Change in working capital		891	−811
Change in trade receivables and other receivables		375	1,103
Change in accounts payable and other liabilities		516	−1,915
Interest received	11	62	14
Interest paid	11	−16	−64
Taxes paid	12	−304	−12
Net cash flow from operations		**−2,203**	**−3,730**
Cash flow from investments			
Sales of subsidiaries net of cash acquired	3	0	2,565
Investments in tangible and intangible assets	14, 15	−39	−48
Investments in other investments	27	−470	0
Sales of property, plant and equipment	15	0	6
Capital gains from other investments	27	593	0
Net cash flow from investments		**83**	**2,523**
Cash flow before financial items		**−2,120**	**−1,206**
Cash flow from financing activities			
Reserve for invested non-restricted equity		691	0
Purchase of treasury shares			0
Transactions with non-controlling interests		−70	0
Drawdown of long-term loans	21, 22	1,909	1,000
Repayment of long-term loans	21, 22	−60	−380
Drawdown of short-term loans	22	874	1,803
Repayment of short-term loans	22		0
Costs of acquiring equity			0
Payments received for share subscriptions			0
Interest and other charges for financial expenses		−348	−416
Repayment of lease liabilities		−902	−826
Net cash flow from financing		**2,094**	**1,183**
Change in cash and cash equivalents		**−26**	**−24**
Cash and cash equivalents at the beginning of the financial period	17	984	1,008
Impact of changes in exchange rates		−59	0
Cash and cash equivalents at the end of the financial period	17	899	984

Calculation of changes in consolidated shareholders' equity

EUR thousand	Share capital	Share premium fund	Invested non-restricted equity fund	Translation differences	Retained earnings	Total	Share attributable to non-controlling interests	Total shareholders' equity
Shareholders' equity 1 Jan 2021	585	219	72,972	1,061	−92,786	−17,948	1,262	−16,686
Transfers between equity items					332	332	−332	0
Profit/loss for the financial period					−5,797	−5,797	−2	−5,799
Translation difference				−1,546		−1,546	−14	−1,559
Total comprehensive income for the financial period						**−7,343**		
Transactions with owners								
Purchase of treasury shares								
Share-based remuneration					201	201	0	201
Transactions with non-controlling interests					−333	−333	−409	−742
Shareholders' equity 31 Dec 2021	**585**	**219**	**72,972**	**−484**	**−98,384**	**−25,091**	**506**	**−24,585**

EUR thousand	Share capital	Share premium fund	Invested non-restricted equity fund	Translation differences	Retained earnings	Total	Share attributable to non-controlling interests	Total shareholders' equity
Shareholders' equity 1 Jan 2022	585	219	72,972	−485	−98,384	−25,091	506	−24,585
Transfers between equity items						0		0
Profit/loss for the financial period					−6,533	−6,533	90	−6,443
Translation difference				−714		−714	3	−711
Total comprehensive income for the financial period						**−7,247**		
Transactions with owners								
Share issue			691			691		691
Purchase of treasury shares								
Equity loan					130	130		130
Share-based remuneration					240	240		240
Transactions with non-controlling interests							−96	−96
Shareholders' equity 31 Dec 2022	**585**	**219**	**73,663**	**−1,198**	**−104,545**	**−31,277**	**503**	**−30,774**

Notes to the consolidated financial statements

1. Basis of preparation

BASIC INFORMATION ABOUT THE GROUP

Digitalist Group Plc ("Company" or "Parent company") is a Finnish public limited liability company established under Finnish law and domiciled in Helsinki. The shares of the parent company, Digitalist Group Plc, have been listed on NASDAQ Helsinki since 1999.

The consolidated financial statements have been prepared for the 12-month financial period of 1 January–31 December 2022, and copies of the consolidated financial statements are available on the company's website at https://digitalist.global or at the parent company's office at Siltasaarenkatu 18–20, Helsinki. Digitalist Group Plc has also published its financial statements as an XHTML file in Finnish in compliance with the reporting requirements of the European Single Electronic Format (ESEF). The main calculations in the consolidated financial statements are marked in XBRL language in accordance with taxonomy, and the notes to the consolidated financial statements are marked in XBRL with block markings. The XBRL markings have not been assured by the auditors.

Digitalist Group Plc together with its subsidiaries form Digitalist Group ("Group"), which is a creative technology Group. The Group seeks, designs, formulates and implements functional user experiences and sustainable software solutions based on internet, cloud or mobile technologies. The Group's clients are among the leading companies in their sectors around the world. The Group designs comprehensive digital solutions for its clients to enhance their competitiveness and productivity and provide them with added value and customer loyalty.

We are a group of researchers, designers, developers, engineers and strategists in Finland, Sweden and Canada.

The Board of Directors has approved the financial statements for publication on 31 March 2023. In accordance with the Finnish Companies Act, shareholders have the opportunity to accept or reject the financial statement at an Annual General Meeting to be held after the statement has been published. The Annual General Meeting may also decide to amend the financial statements.

ACCOUNTING PRINCIPLES

Digitalist Group's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) following the IAS and IFRS standards in effect on 31 December 2022, as well as the SIC and IFRIC interpretations. "International standards" refers to the standards and related interpretations approved for application in the EU in compliance with the procedure stipulated in Regulation (EC) 1606/2002, as referred to in the Finnish Accounting Act and subsequent regulations. The notes to the consolidated financial statements also conform to the Finnish accounting and company legislation that supplements the IFRS standards.

The accounting principles behind the consolidated financial statements are explained here in Note 1. The accounting principles for specific items as well as descriptions of resolutions based on the discretion of the senior management and the use of estimates and assumptions are presented in connection with the related note item.

The consolidated financial statements are presented in thousands of euros, and the parent company's financial statements are presented to the nearest euro, unless otherwise stated. The figures are based on original acquisition costs, with the exception of financial assets recognised at fair value through profit or loss.

ACCOUNTING PRINCIPLES REQUIRING MANAGEMENT DISCRETION AND MAIN UNCERTAINTY FACTORS RELATING TO ESTIMATES

The preparation of the financial statements requires the senior management to make estimates and assumptions that affect the amounts of the company's assets, liabilities, income and expenses recognised in the financial statements, as well as the amounts presented in the notes under contingent assets and liabilities. Although these estimates are based on the management's best understanding of current events and actions, the actual outcomes may differ from the estimates.

The senior management of the Group exercises discretion when making decisions about the choice of accounting principles for the financial statements and how they are applied. This particularly affects cases where the IFRS norms in force contain alternative recognition, measurement or presentation procedures. The main estimates and assumptions related to the financial statements concern estimating business continuity, impairment testing, determining the allocation and depreciation periods for corporate acquisitions, valuation of trade receivables and share-based payments in accordance with IFRS 2.

Uncertainties related to estimates

The estimates made when the financial statements were prepared are based on the senior management's best insight on the balance sheet date. The estimates are affected by prior experience, as well as assumptions about the future that are deemed the most likely on the balance sheet date and are related to factors such as expected developments in the Group's financial operating environment with regard to sales and cost levels. The Group regularly monitors the realisation of estimates and assumptions, as well as changes in the underlying factors, by working with the business units and using various internal and external data sources. Any changes in the estimates and assumptions are entered into the accounts in the financial period in which the estimate or assumption is corrected and in all subsequent financial periods.

Going concern principle

The Group has been making a loss despite the efficiency measures it has taken. The company's loss-making performance directly affects its working capital and the sufficiency of its financing. This risk is managed by maintaining the capacity to use different financing solutions. The Group endeavours to continuously assess and monitor the amount of financing the business requires in order to ensure that the company has the necessary liquid assets to finance its operations and repay its loans. Any disruptions in the financial arrangements would weaken Digitalist Group's financial position.

The financial statements were prepared on the principle of the company as a going concern. The assumption of business continuity is based on the management's assessment and the following: The Group has boosted the efficiency of its operations, and this is expected to improve Group profitability in the future. The operating expenses decreased by EUR 0.5 million (EUR 2.4 million) in the review period, and going into 2023, the cost structure is lighter. 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 Group's liquidity was improved during the financial period through a share issue and new related-party loans, by rearranging the repayment periods of these loans and by changing them into convertible bonds and equity loans. The repayment periods of loans from financial institutions were extended by negotiation. At the beginning of 2023, the company agreed to increase its credit line with a financier by EUR 0.7 million. In February, Business Finland, upon Digitalist Finland Ltd's petition, decided not to recover a EUR 0.3 million share of its research and development loan.

Despite the implemented efficiency measures and financial arrangements, the cash flow for the next 12 months is likely to be negative, according to the forecast. However, at the time of publishing the financial statements, the company estimates that its working capital is sufficient for the needs of the next 12 months, taking into account the individual commitment given by the largest owner.

Impairment testing

The Group tests goodwill for impairment at least every 12 months or when there are indications of possible impairment. The recoverable amounts of cash-flow-generating units are determined using calculations based on their value in use. Preparing these calculations requires the use of estimates. Note 14 provides further information on impairment testing.

Allocation of transaction prices and determination of depreciation periods

Intangible assets are depreciated over their useful lives, which are based on estimates by the senior management, taking into consideration the depreciation principles applying in the Group. Intangible assets acquired in business combinations are recognised separately from goodwill at fair value on the acquisition date if they can be identified. When the Group has acquired businesses, it has mainly acquired technology, order books and customer agreements. Note 14 provides further information on intangible assets, and Note 15 on tangible assets.

Trade receivables

Impairment provisions related to trade receivables are based on historical data concerning credit losses and an estimate of possible future credit losses.

Share-based payments

Management discretion has been used in IFRS 2 share-based payment calculations in the estimation of surrendered options.

NEW AND AMENDED STANDARDS APPLIED IN THE MOST RECENT FINANCIAL PERIOD

Digitalist Group has applied the IASB's new standards, amendments and interpretations (IAS16, IAS37 and yearly improvements in IFRS standards) that apply for the first time in reporting periods beginning on 1 January 2022. The new and amended standards and interpretations did not have a significant impact on the Group's earnings, financial position or financial statements. According to the group's assessment, the standard changes (IAS1, IAS8 and IAS 12) that will enter into force during 2023 will not have a material impact on the Group's future financial statements.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the parent company, Digitalist Group Plc, and all of the subsidiaries in which the parent company holds more than 50% of the voting rights conveyed by the shares or over which the parent company otherwise exercises control.

Mutual shareholdings within the Group have been eliminated using the acquisition method. Acquired subsidiaries are consolidated from the moment that the Group gains control over them, and divested subsidiaries are consolidated until this control ends.

All intra-Group business transactions, receivables, liabilities and unrealised profits, as well as internal profit distribution, are eliminated when preparing the consolidated financial statements. The assets and liabilities of an acquired company are measured at fair value at the time of acquisition, and the difference between the acquisition price and the fair value of the net assets is goodwill.

The comprehensive income distribution to the parent company's shareholders and non-controlling interests is presented in connection with the comprehensive income statement. The equity share attributable to non-controlling interests is presented in the consolidated balance sheet as a separate item as part of the equity in the balance sheet.

Items denominated in foreign currencies

The profit and financial position of Group units are determined using the currency of the main operating region of the unit in question (“functional currency”). The consolidated financial statements are presented in euros, which is the functional and presentation currency of the Group's parent company.

Transactions denominated in foreign currencies are recognised at the exchange rates at the date of transaction. Monetary items denominated in foreign currencies are converted into the operating currency using the exchange rates on the balance sheet date. Non-monetary items that are denominated in foreign currencies and are measured at fair value are converted into the operating currency using the exchange rates on the valuation date. Otherwise, non-monetary items are measured at the exchange rate on the transaction date.

Gains and losses arising from transactions in foreign currencies and from the conversion of monetary items are recognised under financial items in the income statement. Exchange rate gains and losses from business operations are included in the corresponding items above operating profit.

The income and expense items in the income statements of foreign Group companies are converted into euros using the average exchange rate in the month concerned, and the balance sheets are converted using the exchange rates on the balance sheet dates. The conversion of income and comprehensive income for the financial period at different exchange rates in the income statement, the statement of comprehensive income, and the balance sheet gives rise to a translation difference recognised in shareholders' equity in the balance sheet. Changes to the translation difference are recognised in other items of comprehensive income.

2. Segment information

Digitalist Group reports its business in a single segment.

The supreme operational decision-making organ is the Board of Directors, to which the business is reported in one operational and reporting segment.

GEOGRAPHICAL INFORMATION

The Group operates on two continents: Europe and North America.

The turnover for the geographical areas are presented according to the locations of customers, and the assets are presented according to the location of the assets.

Sales revenues from external customers are defined according to the IFRS provisions.

2022 EUR thousand	Income	Non-current assets	Non-current liabilities
Europe	17,362	7,332	25,612
of which Finland	4,306	6,926	24,848
of which Sweden	12,651	196	487
North America	1,007	3	0
Other countries	194	0	0
Group total	**18,563**	**7,335**	**25,612**

2021 EUR thousand	Income	Non-current assets	Non-current liabilities
Europe	16,983	8,817	23,846
of which Finland	3,783	7,070	23,087
of which Sweden	12,025	1,258	661
North America	1,104	8	0
Other countries	395	0	0
Group total	**18,482**	**8,825**	**23,846**

3. Businesses operations acquired and sold

CHANGES IN THE GROUP STRUCTURE

2022 financial period
Acquired business operations

No business operations were acquired during the 2022 financial period.

Divested businesses

No business operations were sold during the 2022 financial period.

2021 financial period
Acquired business operations

No business operations were acquired during the 2021 financial period.

Divested businesses

On 27 August 2021, Digitalist Group announced the divestment of its stake in Ticknovate Ltd. Digitalist UK Limited, which belongs to Digitalist Group, owned 65% of the shares in Ticknovate. The share transaction was executed by selling all the Ticknovate shares held by the Group to Turret Oy Ab. Turret Oy Ab is Digitalist Group Plc's largest shareholder, which makes this a related-party transaction (Note 27 provides further information on related-party transactions). The purchase price was EUR 2.6 million, and it was paid in cash. Digitalist Group has recognised a capital gain of EUR 1.3 million from the share transaction in other operating income. The share transaction took place on 31 August 2021. The parties to the share transaction will agree on the possible additional transaction price, estimated at between EUR 0 and EUR 0.4 million, depending on the growth in Ticknovate's value by 31 December 2023. The company entered into the arrangement to increase the flexibility of its financing and focus on its core business. Ticknovate and Digitalist Group will continue to work together on market terms after the share transaction.

4. Turnover

TURNOVER AND RECOGNITION PRINCIPLES

Turnover is recorded in the amount that the Group expects to be entitled to receive in exchange for providing the promised services to the client, with the exception of amounts collected on behalf of third parties, such as indirect taxes. Discounts are taken into account when determining the amount of consideration when the sale is booked.

Turnover consists entirely of service provision. The Group enters a sale as income when it transfers control over the service to the client. The sale is entered as income over time when the client receives and uses the service as the Group provides it. The income received from short-term services is recognised when the service is rendered or in equal instalments over the term of the agreement when the work is carried out.

The degree of completion is determined for each project by examining the number of working hours done by the review date as a proportion of the estimated total number of hours. If it is likely that the total cost of a project will exceed the total income, the expected loss is recognised immediately as an expense. The income received from services is recognised when the service is rendered or in equal instalments over the term of the agreement when the work is carried out.

The table below describes the turnover distribution and the quantities of asset and liability items based on trade receivables and customer agreements at the end of the period.

EUR thousand	2022	2021
Turnover service revenues	18,563	18,482
From short-term customer agreements, capitalised over time	18,563	18,313
From longer-term customer agreements, capitalised according to the degree of completion	0	169
	2022	**2021**
Trade receivables	3,360	3,733

The Group's asset items based on customer agreements consist of the Group's receivables that had not yet been invoiced to customers on the reporting date. The asset items based on agreements are transferred to trade receivables when there is an unconditional right to the receivable. The liabilities based on customer agreements mainly consist of advances received from customers. Note 16 presents more information on trade receivables.

The performance obligations that were outstanding at the end of the reporting period but will be fulfilled in the coming year were 0 (2021: 0).

5. Other operating income

Other operating income includes gains from the sale of assets and other income unrelated to the sale of work performances, such as government grants received.

Government grants are recognised under other operating income in a systematic manner in those financial periods during which the costs meant to be covered by the grants are recognised. Government grants are also discussed in Note 14.

EUR thousand	2022	2021
Management fee charges	108	0
Businesses sold*	0	1,280
Government grants**	54	470
Other items	117	93
Total	**279**	**1,843**

* *Further information in Note 3.*

** *The government grants consist mainly of COVID-19 operating grants awarded by states.*

The Group did not receive any public grants for research and development projects in the most recent financial period or the one preceding it.

6. Materials and services

EUR thousand	2022	2021
Materials	−474	−413
Services	−3,781	−2,833
Total	**−4,256**	**−3,246**

7. Expenses from employee benefits

PENSION SCHEMES

At present, the Group only uses defined-contribution pension schemes. The contributions paid under these schemes are recognised as expenses in the balance sheet for the financial period in which they are incurred.

The Group has no legal or constructive obligation to make additional payments if the recipient of the payments is unable to pay the pension benefits in question.

SHARE-BASED PAYMENTS

The Group has incentive schemes where payments are made in the form of equity instruments. The benefits awarded under the schemes are recognised at fair value on the date on which they were granted and entered as costs in the income statement evenly throughout the period during which they were earned. The effect of the schemes on profit and loss is presented in the income statement under expenses incurred from employee benefits.

The cost determined on the date on which the options were granted is based on the Group's estimate of the number of options for which rights are presumed to arise at the end of the incentive-earning period. The Group updates the presumption of the final number of options on every balance sheet date. Changes in the estimates are recognised in the income statement. The fair value of the option schemes is determined on the basis of the Black-Scholes option pricing model.

When options are exercised, the monetary payments received on the basis of share subscriptions, adjusted for any transaction costs, are recognised in shareholders' equity. The funds received from share subscriptions, adjusted for any transaction costs, are recognised in shareholders' equity and the invested unrestricted equity fund in accordance with the terms and conditions of the scheme.

EUR thousand	2022	2021
Salaries and bonuses of the CEO and the Board of Directors	−332	−552
Options (CEO and Board of Directors)	−30	−53
Salaries and bonuses (excluding the CEO and Board)	−9,877	−10,682
Options	−210	−148
Total	**−10,449**	**−11,435**
Pension expenses – defined contribution schemes	−1,361	−1,525
Other personnel expenses	−1,891	−2,217
Personnel expenses in the income statement	**−13,701**	**−15,177**

Related-party transactions: note 27.

8. Personnel

Average number of employees	2022	2021
Experts	136	142
Administrative and sales personnel	23	30
Total	**159**	**172**
of whom working abroad	100	110

Personnel at the end of the financial period	2022	2021
Experts	132	139
Administrative and sales personnel	18	26
Total	**150**	**165**
of whom working abroad	90	108

9. Depreciation and impairment

EUR thousand	2022	2021
Depreciation		
Depreciation of intangible assets acquired in business combinations	−702	−1,045
Depreciation of intangible assets	−35	−188
Depreciation of right-of-use assets	−704	−826
Depreciation of tangible fixed assets	−47	−97
Impairment		
Goodwill	0	−1,382
Right-of-use assets	−155	0
Total depreciation and impairment	**−1,643**	**−3,538**

The company booked no impairment charge (2021: EUR 1.4 million). See note 14.

The impairment charge against the right-of-use assets concerns the subletting of Digitalist UK Ltd's rental premises.

10. Other operating expenses

EUR thousand	2022	2021
Personnel-related expenses	−347	−244
Office charges	−325	−258
IT hardware and maintenance costs	−777	−967
Travel expenses	−148	−75
Marketing and sales promotion	−240	−171
Auditing, accounting, consulting and legal services	−933	−1,050
Credit losses	−19	−65
Other operating expenses	−881	−849
Total	**−3,670**	**−3,679**

The income statement does not include the research and development expenses recognised as costs in 2022 or 2021.

AUDITOR'S FEES

EUR thousand	2022	2021
KPMG companies		
Auditing fees	−124	−116
Other than auditing fees	0	0
Total	**−124**	**−116**

11. Financial income and expenses

Interest income is recognised using the effective interest method, and dividend income is recognised when the right to a dividend arises.

EUR thousand	2022	2021
Exchange rate gains	119	1,470
Interest income on loans and other receivables	39	39
Capital gain on fixed asset investments	227	0
Other financial income	0	13
Total financial income	**385**	**1,521**
Interest expenses from liabilities recognised at amortised cost	−1,691	−1,510
Changes in the values of interest rate derivatives	1	13
Exchange rate losses	−350	−60
Interest on lease liabilities	−16	−11
Other financial expenses	−350	−432
Total financial expenses	**−2,404**	**−2,000**
Total financial income and expenses	**−2,019**	**−479**

12. Income taxes

The accrual-based taxes corresponding to the earnings of the Group companies in the financial period are recognised under taxes in the consolidated income statement based on the taxable income calculated according to the local tax regulations applying to each company, along with adjustments to taxes in prior financial periods and changes in deferred taxes.

Deferred taxes are calculated from the temporary differences between the book value and tax base. However, no deferred tax liability is recognised in the case of an asset or liability that was originally intended to be entered into the accounts, and if the case does not concern a business combination, and the recognition of such an asset or liability does not affect the accounting result or taxable income on the date when the transaction was executed. No deferred tax is booked for non-deductible goodwill, and no deferred tax is booked for the undistributed profits of subsidiaries if the difference is not likely to be unwound in the foreseeable future.

Deferred tax is calculated using the tax rates prevailing on the balance sheet date.

Deferred tax assets are recognised in the amount for which it is likely that taxable income will be generated in the future against which the temporary difference can be utilised. No deferred tax assets resulting from confirmed losses are recognised in the financial statements.

INCOME TAXES IN THE INCOME STATEMENT

EUR thousand	2022	2021
Taxes for the financial period	−137	−146
Taxes for previous financial periods	0	−89
Deferred taxes	142	230
Total	**6**	**−5**

RECONCILIATION OF THE GROUP'S TAX RATE WITH THE FINNISH TAX RATE

EUR thousand	2022	2021
Profit before taxes	**−6,448**	**−5,794**
Taxes calculated at the Finnish CIT rate (20%)	1,290	1,159
Other non-deductible/tax-exempt items	−243	588
Taxes for previous financial periods	0	−89
Different tax rates of foreign subsidiaries	22	29
Unrecognised deferred tax asset for losses	−1,055	−1,748
Others	−8	56
Group taxes	**6**	**−5**

DEFERRED TAX ASSETS AND LIABILITIES

Breakdown of deferred tax liabilities 2022

EUR thousand	01 Jan 2022	Recognised in income statement	Translation differences	Businesses sold	31 Dec 2022
Recognition of intangible assets at fair value	168	−145	−6	0	17
Total	**168**	**−145**	**−6**	**0**	**17**

Breakdown of deferred tax liabilities 2021

EUR thousand	01 Jan 2021	Recognised in income statement	Translation differences	Businesses sold	31 Dec 2021
Recognition of intangible assets at fair value	469	−240	−13	−47	168
Other items	2	−2		0	0
Total	**471**	**−242**	**−13**	**−47**	**168**

Confirmed tax losses	EUR million
expires 2023	11.01
expires 2024	5.87
expires 2025	7.44
expires 2026	4.54
expires 2027	1.59
expires 2028	2.52
expires 2029	3.09
expires 2030	5.76
expires 2031	1.02
later	0.00
	42.83

The Group's balance sheet does not contain any deferred tax assets recognised for taxable losses.

Breakdown of deferred tax assets 2022

EUR thousand	01 Jan 2022	Recognised in income statement	Translation differences	Acquired transactions	31 Dec 2022–
Other items	40	–2			37
Total	**40**	**–2**	**0**	**0**	**37**

Breakdown of deferred tax assets 2021

EUR thousand	01 Jan 2021	Recognised in income statement	Translation differences	Acquired transactions	31 Dec 2021
Other items	41	–1			40
Total	**41**	**–1**	**0**	**0**	**40**

13. Earnings per share

The undiluted earnings per share are calculated by dividing the earnings for the financial period attributed to owners of the parent company by the weighted average of the number of outstanding shares during the financial period, with the exception of the treasury stock acquired or held by the company. The diluted earnings per share are calculated by adjusting the weighted average of the number of outstanding shares during the financial period with the number estimated to be subscribed on the basis of share-based incentive schemes.

	2022	2021
Profit/loss for the financial period attributable to the owners of the parent company (EUR thousand)	–6,533	–5,797
Average number of shares during the financial period adjusted for share issues	654,721,924	651,022,746
Earnings per share (EUR)	–0.01	–0.01
Number of shares diluted by share issues average during the period	1,035,979,023	1,015,830,193
Diluted earnings per share (EUR)	–0.01	–0.01
Impact of adjustments for share issues and dilution	381,257,099	364,807,447

14. Intangible assets and goodwill

The intangible assets acquired through business combinations are capitalised in the balance sheet at fair value at the time of acquisition. The intangible assets recognised in conjunction with the consolidation of the Group's businesses relate to clients, agreements and technologies where the useful life is known.

Other intangible assets are entered in the balance sheet at acquisition cost if the acquisition cost of the asset can be reliably determined and if it is probable that the expected future benefit from the asset will benefit the Group.

Intangible assets with a limited useful life are recognised in the income statement as expenses through profit or loss based on straight-line depreciation during their known or estimated useful life.

The Group has no other intangible assets with indefinite useful lives.

Depreciation methods used by the Group

Development expenditure (Intangible assets created internally)	3–4 years of straight-line depreciation
Intangible rights	3–4 years of straight-line depreciation
Intangible assets	3–4 years of straight-line depreciation
Intangible assets acquired through business combinations	3–10 years of straight-line depreciation

Impairment of tangible and intangible assets

On each balance sheet date, the Group estimates whether there are indications of impairment in the value of a particular asset. If such an indication is found, the recoverable amount of cash for the asset in question is estimated. Additionally, the recoverable amount is estimated for goodwill annually, irrespective of whether there is any indication of impairment. The value tests are conducted for each cash-flow-generating unit.

The recoverable amount is the asset's fair value less the costs of selling it or its value in use, whichever is greater. The value in use is the estimated future net cash flow from the asset or cash-generating unit, which is discounted to its present value. The discount rate is a rate before tax that describes the market's perception of the time value of money and the specific risks associated with the asset.

An impairment loss is recognised if the balance sheet value exceeds the recoverable amount. Impairment losses are recognised in the income statement. The useful lives of depreciated assets are reassessed in conjunction with the recognition of an impairment loss. An impairment loss that is recognised for an asset other than goodwill is reversed if there has been a change in the estimates used to determine the amount recoverable from the asset. However, the impairment loss may not be reversed to an amount that is more than the asset's book value without any impairment loss. Impairment losses recognised for goodwill are never reversed.

Government grants

Government grants are recognised as a deduction in the book values of other intangible assets when it is reasonably certain that they will be received and that the Group meets the criteria for receiving a grant. Grants are recognised as income in the form of lower depreciation during the useful life of the asset. Grants that are awarded in compensation for expenses already incurred are recognised through profit or loss in the financial period in which the right to the grant arose. Such grants are presented as adjustments to other operating income or expenses. Note 5 provides details on the values of grants.

Research and development expenses

Research expenditure is recognised as an expense in the balance sheet. Development expenditure related to designing new and more advanced products is activated in the balance sheet as an intangible asset when the product can be technically realised and commercially exploited, and the product is expected to generate a future financial benefit that covers the expenditure. Intangible assets are measured at acquisition cost less depreciation and impairment. Development expenditure that has previously been recognised as an expense cannot be capitalised at a later date.

The income statement does not include the research and development expenses recognised as costs in 2022 or 2021. Following the divestment of Ticknovate Ltd (31 August 2021), the Group has no capitalised development expenditure.

Intangible assets 2022

EUR thousand	Goodwill	Develop-ment expenditure	Intangible rights	Intangible assets	Ongoing research and devel-opment projects	Total
Acquisition cost 1 Jan 2022	17,747	148	8,403	14,067	0	40,365
Increases			22			22
Transfers between balance sheet items		−148				−148
Changes in exchange rates	−488		−4	−370		−862
Acquisition cost 31 Dec 2022	**17,260**	**0**	**8,421**	**13,697**	**0**	**39,378**
Accumulated depreciation and impairment 1 Jan 2022	−12,582	−149	−8,379	−13,233	0	−34,342
Depreciation for the financial period			−30	−706		−737
Accumulated depreciation on decreases and transfers		148				148
Changes in exchange rates			3	338		342
Accumulated depreciation and impairment 31 Dec 2022	**−12,582**	**0**	**−8,406**	**−13,601**	**0**	**−34,589**
Book value 1 Jan 2022	**5,165**	**0**	**24**	**835**	**0**	**6,023**
Book value 31 Dec 2022	**4,678**	**0**	**14**	**96**	**0**	**4,788**

Intangible assets 2021

EUR thousand	Goodwill	Develop-ment expenditure	Intangible rights	Intangible assets	Ongoing research and devel-opment projects	Total
Acquisition cost 1 Jan 2021	18,685	993	8,401	14,169	4,519	46,767
Business operation sales*	−804	69				−735
Decreases					−4,519	−4,519
Transfers between balance sheet items		−913				−913
Changes in exchange rates	**−134**		**2**	**−102**		**−234**
Acquisition cost 31 Dec 2021	17,747	148	8,403	14,067	0	40,365
Accumulated depreciation and impairment 1 Jan 2021	−11,200	−248	−8,316	−12,258	−4,519	−36,541
Depreciation for the financial period		−122	−61	−1,049		−1,233
Accumulated depreciation on decreases and transfers		237			4,519	4,756
Impairment for the financial period	**−1,382**					**−1,382**
Changes in exchange rates		−16	−2	74		57
Accumulated depreciation and impairment 31 Dec 2021	**−12,582**	**−149**	**−8,379**	**−13,233**	**0**	**−34,342**
Book value 1 Jan 2021	**7,485**	**745**	**85**	**1,911**	**0**	**10,226**
Book value 31 Dec 2021	**5,165**	**0**	**24**	**835**	**0**	**6,023**

Other intangible assets include the intangible assets arising from corporate acquisitions. At the end of the financial period, the undepreciated residual value of intangible assets was EUR 83 thousand (EUR 817 thousand).

** Note 3 provides further information on business operation sales.*

GOODWILL IMPAIRMENT TESTING

Goodwill

Goodwill corresponds to the proportion of the acquisition cost that exceeds the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities on the date of acquisition.

The Group tests goodwill for impairment at least every 12 months or when there are indications of possible impairment.

The goodwill is allocated to one cash-generating unit.

At the end of the financial period, the balance sheet contained goodwill amounting to EUR 4.7 million (EUR 5.2 million). The company tested its goodwill in accordance with IAS 36 and its accounting policies twice during the financial period. The company has not recognised any impairment charge against goodwill in the most recent financial period.

The amount of money that can be collected from cash-flow-generating units is based on the value in use of the asset concerned. Goodwill is tested for impairment by comparing the value in use to the book value. The first-year cash flow forecasts are based on budgets approved by the senior management. The present values for the four-year forecasting period thereafter are determined using the following assumptions based on the discretion of the senior management: In the testing conducted on 31 December 2022, the cash flow forecasting period consisted of the forecast for the period from 2023 to 2026. During the 2023–2026 forecasting period, average increase in turnover of 13 per cent (21%) is expected to be achieved as digitalisation spreads to an increasing share of business life. The testing calculations used an operating profit margin of approximately 4% (4%) for the terminal period. Growth in the terminal period was assumed to be 2.35% (1%). The growth rate for the terminal period has been updated due to the increased interest rate. The calculation is not sensitive for a change. The EBITDA used in the forecast is 10% from 2025.

The cash flow forecasts are discounted using the weighted average cost of capital before taxes. The discount rate was calculated on the basis of an estimate of the Group's yield requirement for shareholders' equity and the Group's cost of new liabilities during the financial statements, plus the risk premium. The discount rate is 11% (11%).

The annual increase in turnover remaining below 1 per cent would necessitate an impairment charge unless the cost structure is changed. If the EBITDA falls below 5% or the WACC surpasses 22%, impairment charges may become necessary.

Goodwill has been allocated to the following cash-flow-generating unit

EUR thousand	One Digitalist Group	Total
Goodwill 1 Jan 2022	5,165	5,165
Translation differences	−488	−488
Goodwill 31 Dec 2022	**4,678**	**4,678**
Goodwill 1 Jan 2021	7,485	7,485
Translation differences	−134	−134
Share allocated to mergers and acquisitions	−804	−804
Impairment	−1,382	−1,382
Goodwill 31 Dec 2021	**5,165**	**5,165**

Principal assumptions used for goodwill testing	2022	2021
Length of the forecasting period	4	4
Average annual increase in turnover	13%	21%
Growth factor for cash flows after the forecasting period	2.35%	1%
Discount rate	11%	11%

15. Tangible fixed assets

TANGIBLE FIXED ASSETS

Machinery and equipment constitute the majority of the tangible assets. These items are valued in the balance sheet at acquisition cost less accumulated depreciation and any impairment. Gains or losses arising from the sale or disposal of tangible assets are recognised in the income statement.

The works of art included in the tangible fixed assets are presented as tangible assets not subject to depreciation.

DEPRECIATION METHODS USED BY THE GROUP

Machinery and equipment	3–5 years of straight-line depreciation
Other tangible assets	3–5 years of straight-line depreciation

Tangible fixed assets 2022

EUR thousand	Machinery and equipment	Other tangible assets	Tangible assets not subject to depreciation	Other investments	Total
Acquisition cost 1 Jan 2022	11,818	0	26	2	11,846
Increases	17			100	117
Depreciation and transfers					0
Changes in exchange rates	−28		−1		−29
Acquisition cost 31 Dec 2022	**11,806**	**0**	**25**	**102**	**11,933**
Accumulated depreciation and impairment 1 Jan 2022	−11,745	0	1	0	−11,744
Depreciation for the financial period	−47				−47
Accumulated depreciation on decreases and transfers					0
Changes in exchange rates	26		−1		25
Accumulated depreciation and impairment 31 Dec 2022	**−11,767**	**0**	**0**	**0**	**−11,767**
Book value 1 Jan 2022	**73**	**0**	**27**	**2**	**102**
Book value 31 Dec 2022	**40**	**0**	**25**	**102**	**167**

Tangible fixed assets 2021

EUR thousand	Machinery and equipment	Other tangible assets		Other investments	Total
Acquisition cost 1 Jan 2021	11,633	145	27	3	11,808
Increases	42	6			48
Depreciation and transfers	139	−158		−1	−20
Changes in exchange rates	3	7	−1		10
Acquisition cost 31 Dec 2021	**11,818**	**0**	**26**	**2**	**11,846**
Accumulated depreciation and impairment 1 Jan 2021	−11,517	−133	0	0	−11,650
Depreciation for the financial period	−72	−25			−97
Accumulated depreciation on decreases and transfers	−147	158			12
Changes in exchange rates	−10		1		−9
Accumulated depreciation and impairment 31 Dec 2021	**−11,745**	**0**	**1**	**0**	**−11,744**
Book value 1 Jan 2021	**116**	**12**	**27**	**3**	**158**
Book value 31 Dec 2021	**73**	**0**	**27**	**2**	**102**

16. Lease agreements

LEASE AGREEMENTS

On the first day of validity of the lease agreement, the lessee recognises a right-of-use asset and a lease liability for the agreement. The lessee recognises interests expenses on the liability and depreciation on the asset item throughout the term of the lease.

The right-of-use asset is initially valued at acquisition cost. This corresponds to the original amount of the lease liability, which is adjusted by prepaid lease payments, lease incentives, direct costs in the initial phase, and the estimated costs that the lessee incurs in restoring the underlying asset to the condition required by the terms of the lease agreement.

The lease liability is originally recognised at the present value of the unpaid lease payments when the lease begins, discounted at the internal interest rate of the lease or, if this cannot be determined, at the lessee's incremental borrowing rate. Lease liabilities are measured at amortised cost using the effective interest rate method. The lease payments included in the lease liability are fixed or variable payments that are tied to an index or interest rate. Options for extended periods are included in the term of the lease if it is reasonably certain that they will be used. In addition, the lessee reassesses the amount of the lease liability in the event of certain changes (such as changes in the lease period or changes in the lease payments due to index adjustments). The Group uses the practical relief allowed by IFRS 16 whereby agreements with a lease period of less than 12 months or assets with a value of no more than approximately USD 5,000 are not recognised in the balance sheet. These agreements are recognised in the income statement as fixed expenses throughout the term of the lease.

Lease agreements for tangible fixed assets where the Group accrues a material proportion of the risks and rewards of ownership are classified as finance leases and recognised in the balance sheet at the start of the lease period at the fair value of the leased asset or at the present value of the minimum lease payments, whichever is lower. Assets acquired under finance leases are depreciated over the useful life of the asset or the term of the lease, whichever is shorter. Lease payments are dividing apportioned between a financial expense and a reduction in liability over the lease period, so that the interest rate for the outstanding liability remains constant in each financial period. Leases where the lessor retains the risks and rewards of ownership are treated as other lease agreements. The lease payments that must be made on other lease agreements are recognised as equal sums of expenses in the income statement over the term of the lease.

Some of the Group's subsidiaries act as lessors, e.g. by subleasing office facilities to third parties. These subleasing agreements are classified as operating leases, as they do not transfer some relevant parts of the risks and benefits typical to the ownership of the underlying asset to the lessee. The above leasing income is recognised as fixed expenses throughout the term of the lease. The amount of subleasing income is not significant to the Group's finances.

DEPRECIATION METHODS USED BY THE GROUP

Facilities acquired on lease	2–5 years

ITEMS OF TANGIBLE ASSETS ACQUIRED ON LEASE PRESENTED ON THE PROFIT AND LOSS AND CASH FLOW STATEMENTS

EUR thousand		2022	2021
Income			
Income from subleasing of underlying assets (included in item Other operating income)		12	
Lease expenses from short-term leases (included in item Other operating expenses)		–94	–95
Depreciation on underlying assets (included in item Depreciation and impairment)	Facilities	–704	–826
	Total depreciation	–704	–826
Interest expenses from repayment of lease liabilities (included in item Financial expenses)		–16	–11
Cash flow statement			
Total incoming cash flow from leases		–902	–826
Total outgoing cash flow from leases		12	0
Lease liabilities			
Note 21 provides a breakdown of lease liabilities into short-term and long-term liabilities.		1,283	1,535

TANGIBLE ASSETS ACQUIRED ON LEASE 2022

EUR thousand	Facilities	Total
Acquisition cost 1 Jan 2022	3,308	3,308
Increases	555	555
Depreciation and transfers	–50	–50
Changes in exchange rates	–202	–202
Acquisition cost 31 Dec 2022	**3,612**	**3,612**
Accumulated depreciation and impairment 1 Jan 2022	–1,779	–1,779
Depreciation for the financial period	–704	–704
Impairment*	–155	–155
Accumulated depreciation on decreases and transfers	50	50
Changes in exchange rates	113	113
Accumulated depreciation and impairment 31 Dec 2022	**–2,476**	**–2,476**
Book value 1 Jan 2022	**1,529**	**1,529**
Book value 31 Dec 2022	**1,135**	**1,135**

* *The impairment charge against the right-of-use assets concerns the subletting of Digitalist UK Ltd's rental premises.*

TANGIBLE ASSETS ACQUIRED ON LEASE 2021

EUR thousand	Facilities	Total
Acquisition cost 1 Jan 2021	2,628	2,628
Increases	1,396	1,396
Depreciation and transfers	–716	–716
Changes in exchange rates	0	0
Acquisition cost 31 Dec 2021	**3,308**	**3,308**
Accumulated depreciation and impairment 1 Jan 2021	–1,670	–1,670
Depreciation for the financial period	–826	–826
Accumulated depreciation on decreases and transfers	716	716
Changes in exchange rates	1	1
Accumulated depreciation and impairment 31 Dec 2021	**–1,779**	**–1,779**
Book value 1 Jan 2021	**958**	**958**
Book value 31 Dec 2021	**1,529**	**1,529**

17. Financial assets

The Group's financial assets are classified in the following categories based on the Group's business model for managing financial assets and their contractual cash flow characteristics: financial assets recognised at fair value through profit or loss and financial assets recognised at amortised cost. Financial assets are originally recognised in the accounts at fair value. Transaction costs are included in the original book value of financial assets if the item is not valued at fair value through profit or loss. All purchases and sales of financial assets are booked on the day of the transaction.

Financial assets are derecognised when the Group has lost the contractual right to receive the cash flows or when it has substantially transferred the risks and rewards of ownership of the asset outside the Group.

FINANCIAL ASSETS AND LIABILITIES RECOGNISED AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group classifies interest rate swap contracts and other investments at fair value through profit or loss, and they are included in the balance sheet under current assets or liabilities. Fair value adjustments are recognised in the income statement as financial income or expenses. The fair values of the contracts have been calculated by discounting the future cash flows. The contracts are presented in the balance sheet under financial assets or liabilities and are acquired for hedging purposes. The company does not apply hedge accounting.

FINANCIAL ASSETS VALUED AT AMORTISED COST

Financial assets where the intention of the business model is to retain the asset until maturity in order to collect the contractual cash flows are recognised at amortised cost in the financial assets category. The cash flows from these items consist solely of capital and the interest on the outstanding capital. After initial recognition, these items are valued at amortised cost using the effective interest method. They are included in the balance sheet under current and non-current assets. This category includes trade and other receivables and other investments, which include unlisted golf shares.

Trade receivables are recognised at the original value. The Group recognises expected credit losses as a decrease in the asset item recognised at amortised cost under financial assets. Expected credit losses are estimated using the simplified approach provided under IFRS 9, where credit losses are recognised in an amount corresponding to the expected credit losses throughout the entire period of validity. The Group applies the simplified approach to trade receivables recognised at amortised cost and asset items based on customer agreements in accordance with IFRS 15. Expected credit losses are recognised using a provision matrix. Expected credit losses from trade receivables and asset items based on customer agreements are estimated on the basis of historical data concerning credit losses and an estimate of the outlook for the future. Expected credit losses are recognised in the income statement item “Other operating expenses”.

Impairment charges are recognised if there is objective evidence of the impairment of individual items. Evidence of the impairment of receivables includes material financial difficulties affecting the debtor, the likelihood of bankruptcy, defaulting on payments or substantial delays to payments. Impairment losses are recognised as costs in the income statement item “Other expenses”.

The Group's loans from financial institutions and from related parties are valued at amortised cost.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash and bank deposits that can be withdrawn on demand.

FINANCIAL ASSETS

EUR thousand	2022	2021
Financial assets valued at amortised cost		
Other investments	102	2
Trade and other receivables	3,979	4,312
Cash and cash equivalents	899	984
Financial assets recognised at fair value through profit or loss		
Loan receivables	1,208	1,132
Total	**6,188**	**6,428**

Financial assets do not include overdue items.

18. Trade and other receivables

Current receivables	2022	2021
Trade receivables	3,360	3,733
Other receivables	619	579
Total	**3,979**	**4,312**
Other receivables	**2022**	**2021**
Other receivables	162	203
Prepayments and accrued income	457	376
Total	**619**	**579**

Note 25 presents the criteria for assessing the fair values of receivables.

In order to shorten the turnaround time of trade receivables, the Group had EUR 0.3 million (2021: EUR 0.3 million) of sold trade receivables in its balance sheet on the balance sheet date (31 December 2022), and these were assigned to financing companies in early 2023. The value of trade receivables sold during the financial period was EUR 3.1 million (2021: EUR 3.0 million).

19. Shareholders' equity

SHARES AND TREASURY SHARES

The parent company has one class of shares, and each share carries the right to vote in the Annual General Meeting. No voting restrictions are attached to the shares. The company's shares have no nominal value. All shares produce an equal right to dividends and other distribution of company assets. Digitalist Group Plc's treasury shares total 7,664,943. The amount paid for the treasury shares is recognised as a deduction in unrestricted equity.

SHAREHOLDERS' EQUITY FUNDS

Share capital

This consists of the equity shares of the parent company Digitalist Group Plc. The transaction costs directly related to issuing new shares are recognised in shareholders' equity as a deduction from the payments received and as adjustments with tax effects.

Share premium account

In the cases where decisions were made concerning options while the old Limited Liability Companies Act (29 September 1978/734) was in effect, the cash payments received for share subscriptions based on options were recognised in the share capital and the share premium fund in accordance with the terms and conditions of the scheme, less transaction costs.

Invested non-restricted equity fund

The invested unrestricted equity fund includes other equity-type investments and the subscription price of shares to the extent that it is not entered in shareholders' equity under a specific decision. The payments received for share subscriptions executed on the basis of option schemes decided upon since the new Limited Liability Companies Act (21 July 2006/624) entered into force (on 1 September 2006) are recognised in full in the invested unrestricted equity fund.

Translation differences

The translation difference fund includes the accumulated translation differences that result from the conversion of foreign units' financial statements into euros.

Retained earnings

Retained earnings are funds accumulated from previous financial periods that have not been transferred to equity funds or distributed to the owners as dividends.

CHANGES IN NUMBER OF SHARES AND GROUP' EQUITY

	Number of shares	Share capital (EUR thousand)	Share premium fund (EUR thousand)	Invested unrestricted equity fund (EUR thousand)	Total (EUR thousand)
01 January 2022	651,022,746	585	219	72,971	73,775
Changes	31,400,000			691	691
31 December 2022	**682,422,746**	**585**	**219**	**73,662**	**74,466**

	Number of shares	Share capital (EUR)	Share premium fund (EUR)	Invested unrestricted equity fund (EUR)	Total (EUR)
01 January 2021	651,022,746	585	219	72,971	73,775
Changes	-	-	-	-	-
31 December 2021	**651,022,746**	**585**	**219**	**72,971**	**73,775**

DIVIDEND – BOARD OF DIRECTORS' PROPOSAL FOR THE USE OF DISTRIBUTABLE ASSETS

The dividend proposed by the Board of Directors is not recognised in the financial statements. Instead, the dividend is recognised when it is approved by the Annual General Meeting.

The Board of Directors of Digitalist Group Plc proposes to the Annual General Meeting that the distributable funds be retained in shareholders' equity and that no dividend be distributed to shareholders for the 2022 financial period.

On 31 December 2022, the parent company had distributable assets of EUR –13,353,738.86.

SHARE-BASED PAYMENTS

2021 option programme

On 25 January 2021, Digitalist Group Plc's Board of Directors decided on the granting of options based on the authorisation conferred by the Annual General Meeting of 14 April 2020. The options will be issued free of charge, as decided by the Board of Directors, to key personnel employed by or recruited to companies within Digitalist Group Plc to secure their commitment and motivation.

Options can be issued to the company's wholly-owned subsidiaries if they are not issued to members of the Group's personnel. Subsidiaries cannot subscribe for shares on the basis of options.

The options will be subscribed with the identifiers 2021A1, 2021A2, 2021B1, 2021B2 and 2021C1. A maximum total of 60,000,000 options can be issued, and they entitle their holders to subscribe for a maximum of 60,000,000 new shares in the company. The Board of Directors may decide on special additional terms and conditions for receiving options and on the reassignment of options that are subsequently returned to the company.

Each option entitles its holder to subscribe for one new share in Digitalist Group. On 25 January 2021, the total number of shares that can be subscribed on the basis of the options represented approximately 9.21 per cent of all the shares and votes in the company, leading to a dilution effect of approximately 8.44 per cent.

The subscription period for the 2021A1 and 2021B1 options begins on 1 January 2024 and ends on 31 December 2024. The subscription period for the 2021A2, 2021B2 and 2021C1 options begins on 1 January 2026 and ends on 31 December 2026.

The subscription price of shares subscribed under the 2021A1 and 2021A2 options will be the weighted average price of Digitalist Group Plc shares traded on Nasdaq Helsinki Ltd's Helsinki Stock Exchange between 1 October 2020 and 31 December 2020.

The subscription price of shares subscribed under the 2021B1 and 2021B2 options will be the weighted average price of Digitalist Group Plc shares traded on Nasdaq Helsinki Ltd's Helsinki Stock Exchange between 1 October 2021 and 31 December 2021.

The subscription price of shares subscribed under the 2021C1 options will be the weighted average price of Digitalist Group Plc shares traded on Nasdaq Helsinki Ltd's Helsinki Stock Exchange between 1 October 2022 and 31 December 2022.

The subscription price of shares subscribed under the options will be reduced by factors such as dividends paid, and it may otherwise be adjusted in accordance with the terms. However, the subscription price of each share will be at least EUR 0.01 in any case.

The full terms and conditions of the option scheme are on the company's website at https://investor.digitalistgroup.com/fi/investor/shares/option-schemes.

The theoretical market value of the incentive scheme was approximately EUR 0.9 million on the grant date, and this sum will be recognised as expense items of equal amounts from 2021 to 2025. A total of EUR 0.2 million of the expenditure item will be allocated to 2022. There will be no cash-flow effect from the expense.

The theoretical fair value of the share options on the date of issue was calculated using the Black & Scholes method.

2019 option programme

On 27 August 2019, Digitalist Group Plc's Board of Directors decided on the granting of options based on the authorisation conferred by the Annual General Meeting of 02 April 2019.

The options will be issued free of charge, as decided by the Board of Directors, to key personnel employed by or recruited to companies within Digitalist Group Plc to secure their commitment and motivation. Options can be issued to the company's wholly-owned subsidiaries if they are not issued to members of the Group's personnel. Subsidiaries cannot subscribe for shares on the basis of options.

The options will be subscribed with the identifiers 2019A1, 2019A2, 2019B1, 2019B2, 2019C1 and 2019C2. A maximum total of 19,530,000 options can be issued, and they entitle their holders to subscribe for a maximum of 19,530,000 new shares in the company. The Board of Directors may decide on special additional terms and conditions for receiving options and on the reassignment of options that are subsequently returned to the company.

Each option entitles its holder to subscribe for one new share in Digitalist Group. On 27 August 2019, the total number of shares that can be subscribed on the basis of the options represented approximately 3 per cent of all the shares and votes in the company, leading to a dilution effect of approximately 3 per cent.

The subscription period for the 2019A1, 2019B1 and 2019C1 options begins on 31 December 2021 and ends on 31 December 2023. The subscription period for the 2019A2, 2019B2 and 2019C2 options begins on 31 December 2022 and ends on 31 December 2023.

The subscription price for the shares subscribed under the options is EUR 0.06. The subscription price will be reduced by factors such as dividends paid, and it may otherwise be adjusted in accordance with the terms. However, the subscription price of each share will be at least EUR 0.01 in any case.

The full terms of the option scheme are available on the company's website at https://investor.digitalistgroup.com/fi/investor/shares/option-schemes.

The theoretical fair value of the incentive scheme was approximately EUR 25 thousand on the grant date, and this sum will be recognised as expense items of equal amounts from 2019 to 2022. Of the expenditure item, EUR 0 will be allocated to 2022. There will be no cash-flow effect from the expense.

The theoretical fair value of the share options on the date of issue was calculated using the Black & Scholes method.

On 25 January 2021, the company's Board of Directors stated that the undistributed options belonging to the 2019 option scheme had lapsed. Of the options included in the 2019 stock option scheme, a total of 3,580,500 options belonging to the 2019A1 and 2019 A2 series were granted. These options enable the subscription of a maximum of 1,302,000 new shares in the company in accordance with the conditions of the option scheme. In other respects, the option program has lapsed.

KEY ASSUMPTIONS USED TO DETERMINE THE FAIR VALUE OF OPTIONS

Stock Option Program	**2019A1**	**2019A2**	**2021A1**	**2021A2**
Grant date	27 Aug 2019	27 Aug 2019	13 Apr 2021	13 Apr 2021
Number on the date of issue	1,790,250	1,790,250	19,225,000	19,225,000
Subscription price	0.06	0.06	0.03	0.03
Validity	31 Dec 2023	31 Dec 2023	31 Dec 2024	31 Dec 2026
Share price on the date of issue	0.05	0.05	0.05	0.05
Number of persons on the date of issue	3	3	25	25
Exercisable options on 31 Mar 2023	651,000	651,000	0	0
Changes in 2022				
Granted options	0	0	0	0
Lapsed options	1,139,250	1,139,250	4,625,000	4,625,000
Number of options 31 Dec 2022	651,000	651,000	14,600,000	14,600,000
Volatility	76%	76%	49%	49%
Dividend yield	0%	0%	0%	0%
Share price 31 Dec 2021	0.03	0.03	0.03	0.03
Share price 31 Dec 2022	0.02	0.02	0.02	0.02

20. Share attributable to non-controlling interests

Realised transactions with non-controlling interests that do not result in a loss of control are considered as transactions with owners. The difference in book value of the contribution for shares purchased from non-controlling interests and the acquired share of the subsidiary's net assets is recognised in equity. Similarly, the capital gain or loss on the share sold to non-controlling interests is directly recognised in equity.

SHARES ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

EUR thousand	2022	2021
1 January	506	1,262
Transfers between equity items	0	–332
Transactions with non-controlling parties	–96	–409
Translation difference	3	–14
Proportion of earnings for the financial period	90	–2
31 December	**503**	**506**

In 2022, the Group includes three companies with shares attributed to non-controlling interests: Digitalist Sweden AB, Digitalist Open Tech Oy and Digitalist Open Tech Latvia, SIA.

In 2021, the Group's subsidiary Digitalist UK Limited divested all of its 65% ownership of Ticknovate shares, and after the divestment, it held 0% of of Ticknovate Ltd shares.

21. Non-current liabilities

EUR thousand	Other loans	Convertible bond loans	Deferred tax liabilities	Lease liabilities	Total
Non-current liabilities 1 Jan 2022	12,401	10,314	168	964	23,847
Change in the financial period	6,724	–4,546	–151	–261	1,766
Non-current liabilities 31 Dec 2022	**19,124**	**5,768**	**17**	**703**	**25,612**

EUR thousand	Other loans	Convertible bond loans	Deferred tax liabilities	Lease liabilities	Total
Non-current liabilities 1 Jan 2021	2,688	9,209	471	145	12,513
Change in the financial period	9,713	1,104	–303	819	11,334
Non-current liabilities 31 Dec 2021	**12,401**	**10,314**	**168**	**964**	**23,846**

Note 24 presents the criteria for assessing the fair values of liabilities. Note 27 presents the related party transactions.

22. Financial liabilities

FINANCIAL LIABILITIES

The Group's financial liabilities are classified in the following categories based on the Group's business model for managing financial liabilities and their contractual cash flow characteristics: financial liabilities recognised at fair value through profit or loss and financial assets recognised at amortised cost. Financial liabilities are originally recognised in the accounts at their original value, which corresponds to the amount of consideration received. Transaction costs are included in the original book values of financial liabilities. Financial liabilities, with the exception of derivative liabilities, are subsequently valued at amortised cost using the effective interest rate method. Financial liabilities are included in current and non-current liabilities. Borrowing costs are recognised as interest expenses in the financial period in which they are incurred.

Financial liabilities valued at amortised cost

Financial liabilities, with the exception of derivative liabilities, are subsequently valued at amortised cost using the effective interest rate method. Financial liabilities are included in current and non-current liabilities. Borrowing costs are recognised as interest expenses in the financial period in which they are incurred.

Financial liabilities recognised at fair value through profit or loss

The Group classifies interest rate swap contracts and other investments at fair value through profit or loss, and they are included in the balance sheet under current assets or liabilities. Fair value adjustments are recognised in the income statement as financial income or expenses. The fair values of the contracts have been calculated by discounting the future cash flows. The contracts are presented in the balance sheet under financial assets or liabilities and are acquired for hedging purposes. The company does not apply hedge accounting.

FINANCIAL LIABILITIES

EUR thousand	2022	2021
Financial liabilities valued at amortised cost		
Accounts payable and other liabilities	7,669	5,878
Loans	35,302	32,669
Financial liabilities recognised at fair value through profit or loss		
Derivative instruments		-10
Total	**42,971**	**38,537**

NON-CURRENT FINANCIAL LIABILITIES

EUR thousand	2022	2021
Convertible bond loan from related parties	5,768	10,314
Loans from financial institutions	2,337	2,232
Equity loans from related parties	16,787	10,169
Lease liabilities	702	963
Non-current financial liabilities	**25,594**	**23,677**

CURRENT FINANCIAL LIABILITIES

EUR thousand	2022	2021
Loans from financial institutions	8,626	8,419
Other current related-party liabilities	500	0
Lease liabilities	581	572
Current financial liabilities	**9,707**	**8,992**

The financial liabilities recognised at fair value through profit or loss are derivatives. This item is included in other liabilities in the balance sheet.

Note 24 presents the criteria for assessing the fair values of financial liabilities, note 27 related party information.

Repayment programme according to the loan agreements for interest-bearing loans on 31 December 2022 (does not include IFRS 16 lease liabilities or overdraft facilities of EUR 7.2 million, which are included in current loans from financial institutions).

Total loans 31 Dec 2022	26,674
Repayments 2023	1,664
Repayments 2024	22,966
Repayments 2025	2,044
Repayments 2026	0

The average interest on interest-bearing loans in the financial period was 5.1% (5.2%).

Changes in interest-bearing liabilities during the financial period (EUR thousand)	**2022**
Interest-bearing liabilities 1 Jan 2022	32,669
Monetary changes in interest-bearing liabilities in the financial period	2,603
Non-monetary changes	
Change in IFRS 16 lease liability	–252
Offsetting of convertible bonds and interest as equity loans	
Capitalisation of interest accrued on convertible bonds	259
Offsetting of convertible bonds and interest as equity loans	–4,804
Increase in the equity loan	4,804
Offsetting of other loans and interest as equity loans	
Capitalisation of interest accrued on other loans	22
Offsetting of other loans and accumulated interest as equity loans	–1,222
Increase in the equity loan	1,222
Interest-bearing liabilities 31 Dec 2022	**35,302**

Changes in interest-bearing liabilities during the financial period (EUR thousand)	**2021**
Interest-bearing liabilities 1 Jan 2021	28,075
Monetary changes in interest-bearing liabilities in the financial period	2,423
Non-monetary changes	
Change in IFRS 16 lease liability	570
Offsetting convertible bonds and interest as loans	
Capitalisation of interest accrued on convertible bonds	1,601
Offsetting of interest accrued on convertible bonds as equity loans	–10,169
Increase in the equity loan	10,169
Interest-bearing liabilities 31 Dec 2021	**32,669**

23. Accounts payable and other current liabilities

CURRENT LIABILITIES

EUR thousand	2022	2021
Accounts payable	1,373	1,348
Tax liabilities	–5	119
Loans from financial institutions	8,626	8,419
Other loans	500	
Lease liabilities	581	572
Convertible bonds	0	0
Other liabilities	1,679	1,566
Accrued expenses and deferred income	4,623	2,835
Total	**17,376**	**14,860**

OTHER LIABILITIES

EUR thousand	2022	2021
Withholding tax liabilities	227	253
Social security contribution liabilities	307	370
VAT liabilities	634	824
Other liabilities	511	119
Other liabilities, total	**1,679**	**1,566**

ACCRUED EXPENSES AND DEFERRED INCOME

EUR thousand	2022	2021
Accrued employee expenses	1,240	1,150
Interest accruals	2,485	1,079
Other accrued expenses and deferred income	898	606
Total accrued expenses and deferred income	**4,623**	**2,835**

24. Accounting classification and fair values of financial assets and liabilities

CRITERIA FOR DETERMINING FAIR VALUE

The application of some of the Group's accounting principles as well as the preparation of information presented in the financial statements require the definition of fair values for financial assets and liabilities as well as the items included in these. Fair value is the price that would be acquired for the sale of an asset or paid for the transfer of a liability between market participants in an ordinary transaction realised on the valuation date. Fair values are classified as follows into various levels of fair value hierarchy that reflects the significance of the input data used in the valuation methods.

Level 1: Fair value is calculated based on the listed (unadjusted) prices of fully equal assets or liabilities on active markets to which the company has access on the valuation date.

Level 2: Fair value is calculated based on input data that are other than prices listed on level 1 and are observable in an asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value is calculated based on input data that are not observable in an asset or liability (other than observable input data).

Trade and other receivables

The original value is equivalent to the fair value of trade and other receivables because the payment times are short, so discounting has no material impact. Note 25 presents the age distribution of trade receivables.

Other liabilities

Other liabilities (accounts payable and other non-interest-bearing liabilities) are recognised in the balance sheet at their original values, which correspond to their fair value as discounting has no material impact, taking into consideration the maturities of the liabilities.

NOMINAL VALUES OF DERIVATIVE CONTRACTS (EUR THOUSAND)

Interest rate swap contracts	2022	2021
Due within 1 year		
Maturing within 1–5 years	2,000	2,000
Total	2,000	2,000
Fair value	**30**	**−10**

All interest rate swap contracts are categorised at level 2.

The fair value of financial instruments that are not traded on active markets is determined using valuation methods. These valuation methods use as much observable market data as possible, whenever it is available, and rely as little as possible on company-specific estimates. If all of the significant input data required to determine the fair value of an instrument is observable, the instrument is at level 2.

CLASSIFICATION IN ACCOUNTING AND FAIR VALUES

The following table presents the balance sheet values and fair values of financial assets and liabilities, including their levels in the fair value hierarchy. The table does not present any information on the fair values of those financial assets and liabilities that are not valued at fair value if their book value is fairly close to their fair value.

The figures presented in the table do not include the IFRS 16 lease liability.

EUR thousand	Note	Balance sheet value	Fair value Level 1	Fair value Level 2	Fair value Level 3	Total
31 December 2022						
Financial assets valued at fair value						
Loan receivables	17	1,208			1,208	**1,208**
Total		**1,208**	**-**	**-**	**1,208**	**1,208**
Financial liabilities valued at fair value						
Derivative instruments		0		0		**0**
Total		**0**	**-**	**0**	**-**	**0**
Financial liabilities not valued at fair value						
Long-term convertible bonds		5,768			5,768	**5,768**
Long-term loans from financial institutions		2,337			2,337	**2,337**
Long-term equity loans from related parties		16,787			16,787	**16,787**
Short-term loans from financial institutions		8,626			8,626	**8,626**
Other short-term loans from related parties		500			500	**500**
Total		**34,018**	**-**	**-**	**34,018**	**34,018**
31 December 2021						
Financial assets valued at fair value						
Loan receivables	17	1,132	-	-	1,132	**1,132**
Total		**1,132**	**-**	**-**	**1,132**	**1,132**
Financial liabilities valued at fair value						
Derivative instruments		−10	-	−10	-	**−10**
Total		**−10**	**-**	**−10**	**-**	**−10**
Financial liabilities not valued at fair value						
Long-term convertible bonds		10,314	-	-	10,314	**10,314**
Long-term loans from financial institutions		2,232	-	-	2,232	**2,232**
Long-term equity loans from related parties		10,169	-	-	10,169	**10,169**
Short-term loans from financial institutions		8,419	-	-	8,419	**8,419**
Total		**31,134**	**-**	**-**	**31,134**	**31,134**

25. Financial risk management

The company is exposed to several financing risks in its normal course of business. The purpose of financial risk management is to minimise the adverse effects of changes in financial markets on the company's earnings. Digitalist Group's main financial risks are capital adequacy and interest rate risks.

Digitalist Group's long-term financing has been arranged with two main financiers. The company may later decide to arrange a share issue. If the economy were to enter an exceptionally long-term recession, it would likely increase Digitalist Group's financial expenses in relation to the Group's operating income because, during a general recession, Digitalist Group's earning capacity and cash flow from operations can be expected to decrease. The aforementioned matters may also weaken the availability of external financing for Digitalist Group and the Group's financial position.

The parent company's senior management is responsible for implementing risk management. It is tasked with identifying, assessing and hedging against financial risks in collaboration with the business units.

INTEREST RATE RISK

The company's income and cash flow from operations are largely independent of fluctuations in market rates. The company is exposed to cash flow interest rate risk through a loan portfolio consisting of short-term and long-term variable-rate loans. With regard to interest rate risk, the company's risk management aims to minimise the adverse effects caused by changes in interest rates on the company's earnings. The company implements interest rate risk management using various interest rate instruments for hedging. The company has interest rate swap contracts applying to a total of EUR 2.0 million of loans from financial institutions. The company has used interest rate swap contracts to convert variable interest rates into fixed rates with an additional margin of 0.92 per cent.

Loans from financial institutions

On 31 December 2022, the company had a total of EUR 9.8 million (2021: EUR 8.7 million) of unhedged, variable-rate loans from financial institutions, consisting of the overdraft facilities available on the balance sheet date in 2022 and variable-rate loans from financial institutions. The average interest rate on loans from financial institutions in 2022 was 3.4 per cent (2021: 3.9 per cent). If the interest rate were to rise by one percentage point, the annual interest expenses on the company's variable-rate loans from financial institutions would increase by approximately EUR 90 thousand. The realisation of interest rate risks would limit the company's access to external financing and weaken its financial position.

Related-party loans

On 31 December 2022, the company had a total of EUR 23.1 million (2021: EUR 20.5 million) in other unhedged loan principal, which consisted mainly of fixed-rate related-party loans. The average interest rate on related-party loans in 2022 was 6 per cent (2021: 6.0 per cent). If the interest rate were to rise by one percentage point, the annual interest expenses on these loans would increase by approximately EUR 19 thousand. Note 27 presents the related-party loans in more detail.

INTEREST RATE RISK ON LOANS IF THE INTEREST RATE WERE TO RISE BY ONE PERCENTAGE POINT OVER THE NEXT YEAR

EUR thousand	Number	Average interest rate (%)	Sensitivity to interest
Loans from financial institutions			
31 December 2022	10,963	3.4	−90
31 December 2021	10,652	3.9	−87
Other loans			
31 December 2022	23,055	6.00	−19
31 December 2021	20,482	6.00	0

The calculation takes into account the interest rate hedging of the loans.

The company does not apply hedge accounting in accordance with IFRS 9. The changes in the fair values of derivatives acquired for hedging purposes are recognised through profit or loss in the financial income and expenses group. The fair value of derivative instruments recognised through profit or loss amounted to EUR 30,000 from 1 January to 31 December 2022 and EUR 13,000 in the financial period that ended on 31 December 2021. Due to the effect of hedging on profit and loss, financial income and expenses may vary from one financial period to another. If the interest rate were to rise by one percentage point, it would have a positive effect of EUR 20 thousand on the fair value of the company's derivative position as it stood on 31 December 2022 (2021: EUR 20 thousand). The sensitivity analysis did not take into account the impact of taxes.

On 31 December 2022, 29 per cent (2021: 31 per cent) of the company's loans from financial institutions had variable interest rates. This figure includes the overdraft facilities in use.

LIQUIDITY RISK

The objective of the company's liquidity risk management is to ensure sufficient liquid assets to finance the business operations and repay outstanding loans. The company strives to continuously assess and monitor the amount of financing required by its business operations in order to achieve the aforementioned objective. The company's cash and cash equivalents on 31 December 2022 consisted almost entirely of funds in bank accounts. The Group's financial management function continuously monitors the company's liquidity and adequacy of financing. Any disruption in the cash flow of the core business would weaken the company's financial position.

When the financial statements were published, the company expected its working capital to be sufficient to cover its requirements over the next 12 months based on the individual commitment given by the main owner.

Maturity of financial liabilities and interest on loans.

31 December 2022 EUR thousand	Balance sheet value	Cash flow	Under 1 year	1–5 years	Over 5 years
Loans from financial institutions	3,501	3,643	1,226	2,417	0
Overdrafts	7,462	7,462	7,462	0	0
Convertible bonds	5,768	6,850	0	6,850	0
Equity loans from related parties	16,787	19,202	0	19,202	0
Other related-party liabilities	500	533	533	0	0
Lease liabilities IFRS 16	1,283	1,354	609	745	0
Accounts payable	1,373	1,373	1,373	0	0
Total	**36,674**	**40,417**	**11,203**	**29,214**	**0**

31 December 2021 EUR thousand	Balance sheet value	Cash flow	Under 1 year	1–5 years	Over 5 years
Loans from financial institutions	3,461	3,575	1,339	2,236	0
Overdrafts	7,191	7,191	7,191	0	0
Convertible bonds	10,314	12,142	0	12,142	0
Equity loans from related parties	10,169	11,643	0	11,643	0
Lease liabilities IFRS 16	1,535	1,556	575	981	0
Accounts payable	1,348	1,348	1,348	0	0
Total	**34,017**	**37,454**	**10,452**	**27,002**	**0**

EUR 7.8 million of the revolving credit facility was in use at the end of the financial period EUR 7.5 million.

CREDIT RISK

Credit risk is a risk that the other party does not fulfil their duties in accordance with the financial instrument or customer agreement, which leads to a financial loss. Credit risk management is a key part of the Group's risk management. The largest customers are telecommunications, information technology, banking and insurance companies operating in Finland and abroad, as well as companies operating in public administration. The euro and Swedish krona are the invoicing currencies for most of the customers in these groups. The receivables are not estimated to include any significant concentrations of credit risk. The largest Nordic banks are the counterparties to external financial transactions.

Trade receivables – Expected credit losses

The Group assesses the trade receivables' situation quarterly. The Group estimates expected credit losses (ECL) from trade receivables using a simplified approach to credit loss provisions from trade receivables. Trade receivables are recognised in the balance sheet at the original invoicing value less possible impairment. The impairment provision is recognised immediately through profit or loss and is based on the expected credit losses from trade receivables. The expected credit loss model is based on data on realised credit losses as well as on the estimate of possible future credit losses. On the balance sheet date, the outstanding trade receivables were not estimated to be subject to significant credit risks.

Age distribution of trade receivables	2022	Impairment	Net 2022
Not due	3,330	0	3,330
Due in 1–30 days	26	0	26
Due in 31–60 days	4	0	4
Due in 61–90 days	0	0	0
Due in 91–180 days	1	0	1
Due in more than 180 days	0	0	0
Total	**3,360**	**0**	**3,360**

Age distribution of trade receivables	2021	Impairment	Net 2021
Not due	3,207	0	3,207
Due in 1–30 days	287	0	287
Due in 31–60 days	124	0	124
Due in 61–90 days	73	0	73
Due in 91–180 days	9	0	9
Due in more than 180 days	32	0	32
Total	**3,733**	**0**	**3,733**

CURRENCY RISK

The parent company's operating currency is the euro. The assets and liabilities denominated in foreign currencies converted into euros at the exchange rates on the last day of the reporting period are as follows:

	2022					2021				
EUR thousand	**CAD**	**GBP**	**SEK**	**USD**	**SGD**	**CAD**	**GBP**	**SEK**	**USD**	**SGD**
Current assets										
Other financial assets	9	12	783	0	0	57	26	769	0	65
Trade and other receivables	282	93	2,584	0	0	166	260	3,144	0	0
Current liabilities										
Non-interest-bearing liabilities	308	64	2,118	56	0	90	82	2,277	43	11
Open position	**–17**	**41**	**1,249**	**–56**	**0**	**133**	**204**	**1,635**	**–43**	**54**

The table below shows the sensitivity analysis of the translation risk for the Canadian dollar, pound sterling, Swedish krone, Singaporean dollar and US dollar. The sensitivity analysis measures the effect of five-per-cent changes in exchange rates on the assets and liabilities denominated in foreign currencies on the final day of the reporting period. The sensitivity analysis does not include net investments in foreign units.

	2022					2021				
EUR thousand	**CAD**	**GBP**	**SEK**	**USD**	**SGD**	**CAD**	**GBP**	**SEK**	**USD**	**SGD**
Impact on earnings before taxes	–1	2	62	–3	0	7	10	82	–2	3

CAPITAL MANAGEMENT

The Group's capital management aims to achieve an optimal capital structure to support the business by ensuring normal operating conditions and increasing shareholder value with the aim of generating the best possible return. An optimal capital structure also guarantees lower capital costs.

The capital structure is affected by factors such as dividends and share issues. The Group may change and adjust the dividends paid to shareholders or the equity returned to them or the number of new shares issued, or it may decide to sell off assets in order to reduce liabilities.

The Group's net gearing ratios on 31 December 2022 and 31 December 2021 were as follows:

EUR thousand	2022	2021
Interest-bearing liabilities	–35,302	–32,669
Cash and cash equivalents	899	984
Interest-bearing net liabilities	–34,403	–31,685
Total shareholders' equity	–30,773	–24,585
Net gearing as a proportion of shareholders' equity (%)	111.8%	128.9%

26. Provisions and contingent liabilities

Digitalist Group Plc did not recognise any provisions in 2022 or 2021.

On 31 December 2022, the Group had nine corporate mortgages of EUR 1,000,000, one of EUR 800,000, one of EUR 55,000, two of EUR 50,000, and one of EUR 45,000 to guarantee its loans from financial institutions, credit limits, leases and other liabilities. The total amount in corporate mortgages is EUR 10,000,000.

The mortgages guarantee a total of EUR 10,225,264 in loans from financial institutions and additional financing from credit limits.

27. Related-party transactions

Digitalist Group Plc's related parties include the members of the Board of Directors, the CEO, the members of the Group's Management Team and the Group's subsidiaries as well as Turret Oy and Holdix Oy, who are considered to hold significant influence in the company. The company's related parties also include the immediate family members of all of the above parties, as well as all communities that are controlled by them or jointly controlled.

- Johan Almqvist, through direct share ownership and the company A-House AB controlled by him
- Andreas Rosenlew, through direct share ownership and the companies A-House AB and Rosebloom Enterprises AB controlled by him
- Turret Oy, through direct share ownership (49.33%) and the companies Ticknovate Ltd (UK) and Savox Communications controlled by it
- Holdix Oy, through direct share ownership (24.08%)

All business transactions that are entered into with related parties and are not eliminated in the consolidated financial statements are recognised as related party transactions.

SALARIES, BONUSES AND OTHER SHORT-TERM EMPLOYEE BENEFITS

The figures presented below correspond to the expenditure recognised as costs in the financial periods in question. Any fringe benefits are included in the salary amounts. The pension benefits of key management personnel consist of statutory earnings-related pensions and voluntary pension schemes.

The terms and conditions of the options granted to key management personnel are the same as for other option scheme participants. Further information is presented in Note 7 Expenses from employee benefits.

	CEO*		Board of Directors**		Management Team (excluding the CEO)	
EUR thousand	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Salaries and other short-term benefits	123	220	209	184	107	655
Pension benefits (defined contribution plan)***	30	49	0	0	31	50
Share-based payments****	0	0	0	0	0	0
Benefits related to employment termination*****	0	225	0	0	126	0
Total salaries and bonuses paid to the related parties	**152**	**494**	**209**	**184**	**264**	**705**

The salaries and bonuses paid to the related parties are presented on an accrual basis.

In 2022, the members of the Board of Directors, the CEO and the Management Team held a total of 4,301,000 options (2021: 14,912,819). The total fair value of the options is EUR 101 thousand (2021: EUR 366 thousand).

* *Petteri Poutiainen until 28 June 2021 and Magnus Leijonborg from 28 June 2021.*

** *On the Board of Directors: Chair of the Board from 20 April 2021 Esa Matikainen, Vice Chair of the Board from 20 April 2021 Andreas Rosenlew (Board member since 2018), Paul Ehrnrooth (Board member since 2010), Peter Eriksson (Board member since 2017), Maria Olofsson (Board member since 2020) and Johan Almquist (Board member since 20 April 2021).*

*** *Magnus Leijonborg's pension arrangements are the normal arrangements under Swedish pension legislation, and the CEO also has a voluntary supplementary pension scheme with an annual contribution of EUR 3,600.*

**** *Note 19 provides further information on share-based payments.*

***** *The CEO's notice period was 9 months for the company and 6 months for the CEO. Digitalist Group Plc's Board of Directors and Petteri Poutiainen agreed that he would step down from the position of CEO on 28 June 2021. Magnus Leijonborg was appointed CEO. The new CEO's notice period is 6 months for the company and 6 months for the CEO. Management team included CFO.*

OTHER REALISED RELATED-PARTY TRANSACTIONS AND OUTSTANDING BALANCES

EUR thousand	31 Dec 2022	31 Dec 2021
Business transactions		
Income from administrative expenses	108	0
Leasing income	12	12
Leasing expenses	–303	–301
Other operating expenses	–216	–120
Financial expenses	–1,696	–1,529
Divestiture sale price*	593	2,600
Outstanding balances		
Convertible bond loan**	5,768	10,314
Subordinated loan	16,787	10,169
Related-party loan**	500	0

** Further information below in the chapter "Divestiture to a related-party company".*

*** Further information below in the chapter "Related-party loans"*

SHARE OWNERSHIPS

Number of shares held by the members of the Board of Directors, the CEO and the Management Team	2022	2021
CEO	3,460,819	3,460,819
Board of Directors*	393,966,545	362,566,545
Management Team	0	0
Total	**397,427,364**	**366,027,364**

** Turret Oy Ab, a related party, holds 336,637,039 shares, which account for 49.33% of the total.*

At the end of the financial period, the company held 7,664,943 treasury shares.

RELATED-PARTY LOANS

Related-party loans 23 March 2023

Board of Digitalist Group Plc decided to exercise the right granted by the second largest shareholder, Holdix Oy Ab, to convert three-quarters of the bonds of the convertible bond 2021/4 and their nominal capital, a total of EUR 4,545,824.70, and the outstanding amount of their capital, in accordance with the terms of the convertible bond interest, as a capital loan complying with the provisions of Chapter 12 § 1 and § 2 of the Limited Liability Companies Act, with the conditions otherwise remaining the same as applicable.

Related-party loans 24 March 2022

Digitalist Group Plc agreed on a loan amounting to EUR 500,000 with Turret Oy Ab. The loan was granted on market terms, and it will fall due on 30 April 2023. In addition to this, the company has agreed that Digitalist Group's Swedish subsidiary, Grow AB, on the basis of a previously granted authorisation, will subscribe for a total of 11,111 shares in Yangi AB, a Swedish entity, at a total subscription price of SEK 5,000,000 and, to increase financial flexibility, Grow AB will then sell a total of 7,778 Yangi AB shares to Turret Oy Ab for a total purchase price of SEK 6,300,000. The conditions of the loan and arrangement are available on the company's website at https://investor.digitalistgroup.com/fi/investor/releases. The company published a stock exchange release on 24 March 2022.

Related-party loans 27 June 2022

Digitalist Group Plc agreed on a short-term loan amounting to EUR 1,200,000 with Turret Oy Ab. The loan was agreed on market terms, and it matures on 31 October 2022. The conditions of the loan are available on the company's website at https://investor.digitalistgroup.com/fi/investor/releases. The company published a stock exchange release on 27 June 2022. The loan was included in the arrangement of 28 October 2022, where the loan was offset as a convertible bond.

Convertible bonds 28 October 2022

On 28 October 2022, Digitalist Group Plc's Board of Directors decided to direct an equity convertible bond of EUR 1,931,500 to Turret Oy Ab ("Turret") ("Convertible Bond 2021/2", a subordinated loan in accordance with chapter 12 of the Limited Liability Companies Act) and related special rights (the "Special Rights") in accordance with chapter 10, section 1(2) of the Limited Liability Companies Act and the conditions of the agreements applying to the bonds (the "Conditions"). The convertible bonds were directed on the basis of authorisation granted by the Annual General Meeting of 26 April 2022 in derogation from the pre-emptive rights of shareholders in the company. Convertible Bond 2021/2 can be converted into a total of up to 128,766,665 new shares in Digitalist Group according to the conditions attached to the bonds. The conditions of the loan are available on the company's website at https://investor.digitalistgroup.com/fi/investor/releases. The company published a stock exchange release on 28 October 2022.

Directed share issue 28 October 2022

On 28 October 2022, Digitalist Group Plc's Board of Directors decided to direct a maximum of 31,400,000 new shares in the company for subscription by Turret on the basis of authorisation granted by the Annual General Meeting of 26 April 2022 in derogation from the precedence of existing shareholders in the company. The subscription price was EUR 690,800. The conditions of the Directed Share Issue are available on the company's website at https://investor.digitalistgroup.com/fi/investor/releases. The company published a stock exchange release on 28 October 2022.

Additional information of related parties loans in Notes on the parent company.

GROUP COMPANIES

Name	Group's holding	Domicile
Digitalist Group Plc	Parent company	Finland, Helsinki
Digitalist Finland Ltd	100%	Finland, Helsinki
Digitalist Canada Ltd.	100%	Canada, Vancouver
Ixonos Estonia OÜ	100%	Estonia, Tallinn
Ixonos Germany GmbH	100%	Germany, Berlin
Ixonos Slovakia s.r.o.	100%	Slovakia, Kosice
Digitalist USA Ltd.	100%	USA, San Francisco
Digitalist UK Ltd.	100%	United Kingdom, London
Digitalist Sweden AB	70%	Sweden, Stockholm
Grow AB	100%	Sweden, Stockholm
Grow Finland Oy*	100%	Finland, Helsinki
LeanLab Oy	100%	Finland, Helsinki
Digitalist Open Tech Oy	70%	Finland, Helsinki
FutureLab & Partners AB	100%	Sweden, Stockholm
Digitalist Open Tech Latvia, SIA	56%	Latvia, Riga

* *The process of dissolving Grow Finland Oy is underway.*

** *Digitalist Singapore Pte Ltd. was closed 15 December 2022.*

DIVESTITURE TO A RELATED-PARTY COMPANY

On 24 March 2022, Digitalist Group Plc's announced the arrangements regarding Yangi AB. Under the arrangement, Digitalist Group's Swedish subsidiary, Grow AB, will subscribe for a total of 11,111 shares in Yangi AB, a Swedish entity, on the basis of a previously granted authorisation at a total subscription price of SEK 5,000,000; and, to increase financial flexibility, Grow AB will then sell a total of 7,778 Yangi AB shares to Turret Oy Ab for a total purchase price of SEK 6,300,000. The EUR 231 thousand sales profit resulting from this arrangement is recognised under financial income.

On 27 August 2021, Digitalist Group announced the divestment of its stake in Ticknovate Ltd. Digitalist UK Limited, which belongs to Digitalist Group, owned 65% of the shares in Ticknovate. The share transaction was executed by selling all the Ticknovate shares held by the Group to Turret Oy Ab. Turret Oy Ab is Digitalist Group Plc's largest shareholder, which makes this a related-party transaction. The purchase price was EUR 2.6 million, implemented on the market price principle and paid in cash. Digitalist Group has recognised a capital gain of EUR 1.3 million from the share transaction in other operating income. The share transaction took place on 31 August 2021. The parties to the share transaction will agree on the possible additional transaction price, estimated at between EUR 0 and EUR 0.4 million, depending on the growth in Ticknovate's value by 31 December 2023. The company entered into the arrangement to increase the flexibility of its financing and focus on its core business. Ticknovate and Digitalist Group will continue to work together on market terms after the share transaction.

CHANGES IN THE GROUP STRUCTURE

The Group's subsidiary, Grow AB, established a wholly-owned subsidiary named FutureLab & Partners AB. The new company began operating on 1 December 2022, when part of Grow AB's business operations were sold to the newly founded company.

The Group's subsidiary, Digitalist Open Tech Oy, established a wholly-owned subsidiary named Digitalist Open Tech Latvia, SIA on 25 October 2022. The new company will begin operating in 2023.

The Group's internal structural changes in the financial period included Digitalist Finland Ltd's sale of LeanLab Oy shares to Digitalist Group Plc, and Grow AB's sale of business operations to the newly founded FutureLab & Partners AB, after which the shares of FutureLab & Partners AB were sold to Digitalist Group Plc.

Note 3 provides further information on changes in the Group structure.

GUARANTEES FROM THE RELATED PARTIES

Digitalist Group Plc has received the guarantees of Turret Oy Ab (EUR 7,150,000) and Holdix Oy Ab (EUR 3,850,000) as security for its debts. 3.5% annual interest is periodized on guarantees.

28. Events since the financial period

23 FEBRUARY 2023

Digitalist Group Plc (“Digitalist Group”) and its wholly-owned subsidiary Digitalist Finland Ltd have signed the final agreement on an arrangement (the “Arrangement”) under which Digitalist Finland Ltd will purchase Walker & Handson Oy (“W&H”) to strengthen the management, technology and design operations of Digitalist Finland Ltd. Digitalist Group announced its letter of intent regarding the arrangement on 28 January 2023.

In the Arrangement, Digitalist Finland Ltd acquires all of W&H's shares in an exchange of shares by directing to W&H in a directed share issue an amount of new Digitalist Finland Ltd shares equivalent to approximately 10% of all Digitalist Finland Ltd shares after the Arrangement. With this Arrangement, W&H's owner Jussi Hermunen has been named as the CEO of Digitalist Finland Ltd from 1 February 2023 onwards. Jussi Hermunen brings along his formidable experience from the leadership of design and consultancy teams and operations, having previously acted as the leader in EY Doberman Finland, Wavespace Nordics and Studio Idean. The agreement contains the usual good leaver/bad leaver clauses as well as share repurchase clauses for the part of Jussi Hermunen.

W&H is an up-and-coming Finnish CX design company that started building its operations in Q4 of 2022 in customer experience planning and works together with Digitalist Group on selected customer projects. W&H's turnover in 2022 was approximately EUR 83 thousand, and its result for the financial period was positive. W&H has three employees, including the owner Jussi Hermunen.

The Arrangement will strengthen the management and operating capacity of Digitalist Finland Ltd under Jussi Hermunen's leadership and bring W&H's growing number of potential clients to Digitalist Finland Ltd. The Arrangement is expected to significantly improve Digitalist Finland Ltd's future growth opportunities in Finland. In 2023, the Arrangement is estimated to bring a direct increase of EUR 0.3 million to the Group's turnover. The majority of the deferred EUR 0.9 million purchase price is goodwill that will be recognised in the Group's balance sheet.

At the beginning of 2023, the company agreed with the financing bank to increase the financing limit by 0.7 million euros. In February, Business Finland made a non-collection decision on Digitalist Finland Ltd's application for a 0.3 million euro portion of a product development loan.

Parent company's income statement

Parent company's income statement (FAS)

EUR	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Other operating income	186,789	97,498
Personnel expenses		
Salaries and bonuses	–374,731	–680,140
Social security expenses		
Pension expenses	–5,958	–92,575
Other social security expenses	3,691	–15,955
Total social security expenses	–2,267	–108,530
Total personnel expenses	–376,998	–788,671
Depreciation and impairment		
Planned depreciation	–26,497	–75,337
Total depreciation and impairment	–26,497	–75,337
Other operating expenses	–1,008,447	–1,682,399
Total expenses	–1,411,942	–2,546,407
Operating profit	**–1,225,153**	**–2,448,909**
Financial income and expenses		
Interest and financial income		
Income from shares in Group companies	263,760	0
Interest income	429,517	283,445
Other financial income	30,929	94,778
Total interest and financial income	724,206	378,222
Interest and other financial expenses		
Interest expenses	–1,756,323	–1,461,234
Other financial expenses	–458,615	–366,383
Impairment of fixed asset investments	–2,536,181	–10,189,406
Total interest and financial expenses	–4,751,119	–12,017,023
Total financial income and expenses	–4,026,913	–11,638,801
Profit/loss for the financial period	**–5,252,066**	**–14,087,710**

Parent company's balance sheet

Parent company balance sheet (FAS)

ASSETS

EUR	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Non-current assets		
Intangible assets		
Intangible rights	0	23,791
Total intangible assets	0	23,791
Tangible assets		
Machinery and equipment	3,698	6,404
Other tangible assets	11,477	11,477
Total tangible assets	15,175	17,881
Investments		
Shares in Group companies	19,369,304	18,229,844
Other shares	1,953	1,953
Total investments	19,371,257	18,231,797
Total non-current assets	**19,386,432**	**18,273,469**
Current assets		
Non-current receivables		
Receivables from Group companies	5,632,880	5,232,880
Loan receivables	1,369,167	1,330,160
Total non-current receivables	7,002,047	6,563,040
Current receivables		
Trade receivables	12,818	40,989
Receivables from Group companies	1,477,167	1,244,634
Other receivables	53,983	42,107
Prepayments and accrued income	47,662	93,073
Total current receivables	1,591,631	1,420,803
Cash and cash equivalents		
Cash in hand and at bank	1,757	2,102
Total current assets	**8,595,434**	**7,985,945**
Total assets	**27,981,866**	**26,259,414**

LIABILITIES AND SHAREHOLDERS' EQUITY

EUR	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Shareholders' equity		
Share capital	585,394	585,394
Share premium account	218,725	218,725
Invested non-restricted equity fund	75,122,444	74,431,644
Retained earnings	−83,224,117	−69,136,407
Profit/loss for the financial period	−5,252,066	−14,087,710
Total shareholders' equity	**−12,549,620**	**−7,988,353.93**
Liabilities		
Non-current liabilities		
Subordinated loans	16,904,505	10,168,625
Convertible bond loan	5,767,939	10,313,766
Total non-current liabilities	22,672,443	20,482,392
Current liabilities		
Loans from financial institutions	7,292,665	7,190,445
Other loans	500,000	0
Accounts payable	782,434	394,327
Liabilities to Group companies	6,768,934	4,732,615
Other current liabilities	15,663	30,891
Accrued expenses and deferred income	2,499,348	1,417,097
Total current liabilities	17,859,043	13,765,377
Total liabilities	**40,531,486**	**34,247,768**
Total liabilities and shareholders' equity	**27,981,866**	**26,259,414**

Parent company's cash flow statement

EUR	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Cash flow from operations		
Profit/loss for the financial period	–5,252,066	–14,087,710
Adjustments to cash flow from operations		
Planned depreciation	26,497	75,337
Unrealised foreign exchange gains and losses	–15,432	113,907
Other income and expenses not involving cash	0	471,920
Financial income and expenses	4,026,913	11,638,801
Other adjustments		
Cash flow before change in working capital	–1,214,088	–1,787,745
Change in working capital	788,532	–741,051
Interest received from operations	7	14
Interest paid and other financial expenses from operations	–8,080	–28,767
Net cash flow from operations	**–433,628**	**–2,557,548**
Cash flow from investments		
Investments in tangible and intangible assets	0	–4,720
Investments in shares of subsidiaries	–2,822,400	247
Intra-Group loans issued	–803,746	0
Interest income from investments	206,605	0
Dividends from investments	263,760	0
Repayment of intra-Group loans	711,990	0
Total cash flow from investments	**–2,443,792**	**–4,473**
Cash flow before financial items	**–2,877,420**	**–2,562,021**
Cash flow from financing activities		
Reserve for invested non-restricted equity	690,800	0
Drawdown of long-term loans	1,909,210	1,000,000
Drawdown of short-term loans	602,220	1,749,594
Interest and other charges for financial expenses	–325,154	–246,069
Net cash flow from financing	**2,877,075**	**2,503,525**
Change in cash and cash equivalents	**–345**	**–58,495**
Cash and cash equivalents at the beginning of the financial period	2,102	60,597
Cash and cash equivalents at the end of the financial period	1,757	2,102

Calculation of changes in the parent company's shareholders' equity

EUR	Share capital	Share premium fund	Invested non-restricted equity fund	Retained earnings	Total
Shareholders' equity 1 Jan 2022	585,394	218,725	74,431,644	-83,224,117	-7,988,354
Share issue	0	0	690,800	0	690,800
Profit/loss for the financial period				-5,252,066	-5,252,066
Shareholders' equity 31 Dec 2022	**585,394**	**218,725**	**75,122,444**	**-88,476,183**	**-12,549,620**
Shareholders' equity 1 Jan 2021	585,394	218,725	74,431,644	-69,136,407	6,099,356
Profit/loss for the financial period				-14,087,710	-14,087,710
Shareholders' equity 31 Dec 2021	**585,394**	**218,725**	**74,431,644**	**-83,224,117**	**-7,988,354**

DISTRIBUTABLE UNRESTRICTED SHAREHOLDERS' EQUITY

	31 December 2022	31 December 2021
Calculation of distributable shareholders' equity		
Invested non-restricted equity fund	75,122,444	74,431,644
Retained earnings	-83,224,117	-69,136,407
Profit/loss for the financial period	-5,252,066	-14,087,710
Distributable unrestricted shareholders' equity	**-13,353,739**	**-8,792,473**

STATEMENT ON EQUITY ITEMS IN ACCORDANCE WITH CHAPTER 20, SECTION 23(2) OF THE LIMITED LIABILITY COMPANIES ACT

	31 December 2022	31 December 2021
Shareholders' equity 31 Dec	-12,549,620	-7,988,354
Subordinated loan	16,904,505	10,168,625
Shareholders' equity in accordance with chapter 20, section 23 of the Limited Liability Companies Act	**4,354,885**	**2,180,271**

NOTES ON THE EQUITY LOAN

The company has EUR 14,973,004.80 in equity loans from its related parties (Turret Oy Ab 68%, Holdix Oy Ab 32%). The loans will mature on 30 June 2024. The loan interest rate is 6%. In the event that the company goes into administration or bankruptcy, the principal and interest on the loan will be repaid with a lower priority than other debts. The principal may otherwise be returned and interest paid only to the extent that the company's unrestricted equity and all outstanding subordinated loans at the time of payment exceed the loss confirmed on the company's balance sheet for the last complete financial period or the loss included on the balance sheet of more recent financial statements. No collateral is pledged for the payment of principal or interest. If interest cannot be paid, it will be transferred for payment on the basis of the first financial statements that indicate it can be paid. Unrecognised interest of EUR 0 has accrued on the loan as an unpaid expense.

The company has EUR 1,931,500.00 in equity loans from its related parties (Turret Oy Ab 100%). The loan will mature on 30 June 2024. The loan interest rate is 2% + 6 months Euribor. In the event that the company goes into administration or bankruptcy, the principal and interest on the loan will be repaid with a lower priority than other debts. The principal may otherwise be returned and interest paid only to the extent that the company's unrestricted equity and all outstanding subordinated loans at the time of payment exceed the loss confirmed on the company's balance sheet for the last complete financial period or the loss included on the balance sheet of more recent financial statements. No collateral is pledged for the payment of principal or interest. If interest cannot be paid, it will be transferred for payment on the basis of the first financial statements that indicate it can be paid. Unrecognised interest of EUR 0 has accrued on the loan as an unpaid expense.

Principles applied in preparing the financial statements

TANGIBLE AND INTANGIBLE ASSETS

Tangible and intangible assets are recognised in the balance sheet at acquisition cost less planned depreciation. Depreciation is calculated as of the month when the asset was taken into use.

The depreciation periods are as follows

Machinery and equipment	25% reducing balance depreciation or 3–5 years of straight-line depreciation
Intangible rights	3–5 years of straight-line depreciation
Other long-term expenditure	3–5 years of straight-line depreciation

INVESTMENTS

Investments in fixed assets are valued at acquisition cost or likely revenue generated in the future, whichever is lower.

The values of shares in subsidiaries on 31 December 2022 are based on long-term forecasts and calculations prepared at the Group level.

VALUATION OF FINANCIAL INSTRUMENTS

Derivatives

Derivative contracts are valued individually in compliance with the principle of prudence at the value on the balance sheet date. Any negative differences between the value of derivative contracts when they are made and the value on the balance sheet date is recognised as an expense for the financial period. There were no outstanding derivative contracts at the end of the financial period.

Pensions

The pension plans of the parent company are managed by external pension companies.

Pension expenditure is recognised as an expense in the year during which it is incurred.

Items denominated in foreign currencies

Receivables and liabilities denominated in foreign currencies have been translated into euros at the exchange rate on the balance sheet date.

The notes on the parent company round the figures to the nearest euro unless otherwise stated.

Notes on the parent company

Other operating income

EUR	2022	2021
Administrative service charges	186,466	97,256
Other items	323	242
Total	**186,789**	**97,498**
Notes concerning personnel and members of corporate bodies		
Average number of employees of the parent company in the financial period	1	2
Employees of the parent company at the end of the financial period	0	2
Personnel expenses		
Salaries and bonuses of senior managers and the Board of Directors	−374,731	−680,140
Pension expenses	−5,958	−92,575
Other personnel expenses	3,691	−15,955
Total	**−376,998**	**−788,671**

Other operating expenses

EUR	2022	2021
Administrative services	−723,434	−878,131
IT expenses	−34,798	−177,226
Administrative expenses	−80,098	−86,381
Impairment of intra-Group trade receivables	0	−471,920
Others	−170,117	−68,742
Total	**−1,008,447**	**−1,682,399**

Auditor's fees

EUR	2022	2021
KPMG Oy Ab		
Auditing fees	−63,698	−72,000
Total auditors' fees	**−63,698**	**−72,000**
Depreciation and impairment		
Planned depreciation		
Depreciation of intangible rights	−23,791	−61,333
Depreciation of tangible assets	−2,706	−14,004
Total	**−26,497**	**−75,337**
Financial income and expenses		
Income from shares in Group companies	263,760	0
Interest and financial income		
From Group companies	421,431	339,201
From others	39,015	39,021
Total	**724,206**	**378,222**
Interest and other financial expenses		
To Group companies	−209,530	−77,780
To others	−2,005,408	−1,749,838
Impairment of fixed asset investments*	−2,536,181	−10,189,406
Total	**−4,751,119**	**−12,017,023**

* *In the 2022 financial period, an impairment charge EUR 2.4 million was recognised against the cost of the acquisition of Digitalist Finland Ltd shares based on long-term forecasts and calculations. An impairment charge of EUR 0.1 million has been recognised against receivables from Digitalist Singapore Pte Ltd.*

Notes on members of corporate bodies

EUR	2022	2021
Salaries and bonuses		
Petteri Poutiainen, CEO (until 28 June 2021)		300,240
Magnus Leijonborg (since 28 June 2021)*		
Board of Directors		
Esa Matikainen (Chair since 20 April 2021)	64,000	46,694
Andreas Rosenlew (Deputy Chair since 20 April 2021)	34,500	40,806
Paul Ehrnrooth	24,500	25,750
Peter Eriksson	31,750	26,000
Maria Olofsson	31,500	26,000
Johan Almquist (since 20 April 2021)	23,000	17,639
Total salaries and bonuses paid to governing bodies**	**209,250**	**483,129**

* *Since 28 June 2021, the CEO's salary has been categorised as a fee for administrative expenses.*

** *Includes fringe benefits.*

Salaries and bonuses are presented on an accrual basis.

The CEO has a voluntary supplementary pension scheme (see section 27 of the notes on the Group for more details).

Notes to the parent company's balance sheet

ASSETS

EUR	2022	2021
Intangible assets		
Other long-term expenditure		
Acquisition cost at the beginning of the financial period	350,000	350,000
Acquisition cost at the end of the financial period	350,000	350,000
Accumulated depreciation	-326,209	-264,876
Depreciation during the period	-23,791	-61,333
Accumulated depreciation at the end of the period	-350,000	-326,209
Acquisition cost at the end of the financial period	**0**	**23,791**
Intangible rights		
Acquisition cost at the beginning of the financial period	2,124,235	2,124,235
Decreases	-2,124,235	0
Acquisition cost at the end of the financial period	0	2,124,235
Accumulated depreciation	-2,124,235	-2,124,235
Accumulated depreciation on decreases	2,124,235	0
Accumulated depreciation at the end of the period	0	-2,124,235
Acquisition cost at the end of the financial period	**0**	**0**
Tangible assets		
Machinery and devices		
Acquisition cost at the beginning of the financial period	865,566	861,093
Increases during the period	0	4,720
Decrease during the period	0	-247
Acquisition cost at the end of the financial period	865,566	865,566
Accumulated depreciation	-859,161	-845,157
Depreciation during the period	-2,706	-14,004
Accumulated depreciation at the end of the period	-861,868	-859,161
Acquisition cost at the end of the financial period	**3,698**	**6,404**
Other tangible assets		
Acquisition cost at the beginning of the financial period	11,477	11,477
Acquisition cost at the end of the financial period	**11,477**	**11,477**
Investments		
Shares in Group companies		
Acquisition cost at the beginning of the financial period	18,229,844	21,165,102
Increases during the period	3,539,460	7,254,148
Impairment*	-2,400,000	-10,189,406
Acquisition cost at the end of the financial period	**19,369,304**	**18,229,844**
Other shares and interests		
Acquisition cost at the beginning of the financial period	1,953	1,953
Acquisition cost at the end of the financial period	**1,953**	**1,953**

* *Recognised impairment charges against acquisition costs of shares of subsidiaries.*

Ownership of other companies

Company	Country	City	Parent company's ownership
Digitalist Finland Ltd	Finland	Helsinki	100%
Digitalist Sweden AB	Sweden	Stockholm	70%
Ixonos Estonia OÜ	Estonia	Tallinn	100%
Ixonos Germany GmbH	Germany	Berlin	100%
Ixonos Slovakia s.r.o.	Slovakia	Kosice	100%
Digitalist Canada Ltd	Canada	Vancouver	100%
Digitalist USA Ltd.	USA	San Francisco	100%
Digitalist UK Ltd	United Kingdom	London	100%
Grow AB	Sweden	Stockholm	100%
LeanLab Oy	Finland	Helsinki	100%
FutureLab & Partners AB	Sweden	Stockholm	100%

NON-CURRENT RECEIVABLES

Receivables from Group companies	**2022**	**2021**
Subordinated loan receivables	5,632,880	5,232,880
Receivables from other companies		
Other loan receivables*	1,369,167	1,330,160
Total	**1,369,167**	**6,563,040**

** The company has loan receivables from the minority of Digitalist Sweden AB that were established in connection with the sale of company shares. The loans will mature on 16 December 2030. The loans' interest rate is 3%.*

CURRENT RECEIVABLES

Receivables from Group companies	**2022**	**2021**
Trade receivables	1,031,496	1,021,117
Loan receivables	297,656	147,421
Prepayments and accrued income	148,015	76,096
Total	**1,477,167**	**1,244,634**
Receivables from other companies		
Trade receivables	12,818	40,989
Other receivables	53,983	42,107
Prepayments and accrued income	47,662	93,073
Total	**114,463**	**176,170**
Total current receivables	**1,591,631**	**1,420,803**

Prepayments, accrued income and other receivables	**2022**	**2021**
Deferred charges	47,469	93,073
Others	194	0
Total	**47,662**	**93,073**

Notes to the parent company's balance sheet

LIABILITIES AND SHAREHOLDERS' EQUITY

Non-current liabilities	**2022**	**2021**
Liabilities to others		
Subordinated loans	16,904,505	10,168,625
Convertible bonds	5,767,939	10,313,766
Total	**22,672,443**	**20,482,392**
Non-current liabilities	**22,672,443**	**20,482,392**
Current liabilities		
Liabilities to Group companies		
Accounts payable	218,301	841,226
Loans and liabilities on Group account	4,619,118	1,592,786
Other liabilities	1,591,964	2,236,237
Accrued expenses and deferred income	339,551	62,366
Total	**6,768,934**	**4,732,615**
Liabilities to others		
Related-party loans	500,000	0
Financial liabilities	7,292,665	7,190,445
Accounts payable	782,434	394,327
Other current liabilities	15,663	30,891
Accrued expenses and deferred income	2,499,348	1,417,097
Total	**11,090,109**	**9,032,761**
Total current liabilities	**17,859,043**	**13,765,377**

Accrued expenses and deferred income	**2022**	**2021**
Provision for holiday pay	0	66,437
Interest accruals	2,467,736	1,052,311
Salaries and social security expenses	221	116,175
Trading deficits	31,390	182,174
Total	**2,499,348**	**1,417,097**

GUARANTEES AND CONTINGENT LIABILITIES

Liabilities secured by guarantees	**2022**	**2021**
Loans from financial institutions	7,292,665	7,190,445
Corporate mortgages	9,800,000	9,800,000
Other loans	22,672,443	20,482,392
Corporate mortgages	0	0
Total liabilities	29,965,108	27,672,837
Total corporate mortgages	**9,800,000**	**9,800,000**

Securities and guarantees pledged on behalf of Group companies	**2022**	**2021**
Other guarantees	6,059,322	6,065,587

Signatures to the financial statements and report of the Board of Directors

Helsinki 31 March 2023

Magnus Leijonborg
CEO

Esa Matikainen
Chair of the Board of Directors

Andreas Rosenlew
Deputy chair of the Board of Directors

Paul Ehrnrooth
Board member

Peter Eriksson
Board member

Maria Olofsson
Board member

Johan Almquist
Board member

Auditors' Note
An auditor's report has today been issued on the audit performed.
Helsinki 31 March 2023
KPMG Oy
Auditing Company

Miika Karkulahti
Authorised Public Accountant

Digitalist Group

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This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

Auditor's Report

To the Annual General Meeting of Digitalist Group Oyj

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Digitalist Group Oyj (business identity code 0997039-6) for the year ended 31 December, 2022. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

— the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU

— the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 10 to the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Group's liquidity and financing arrangements carried out in current financial year (refer to Accounting policies for the consolidated financial statements and notes 23 and 25 to the consolidated financial statements)	
— The Group has generated losses in recent years, cash flow from operating activities has been negative and liquidity tight. The Group has carried out several arrangements to strengthen its financial position, create a more sustainable cost structure, and secure liquidity. — The financial statements have been prepared on the principle of the company as a going concern. Despite the implemented efficiency measures and financial arrangements, the cash flow for the next 12 months is likely to be negative, according to forecast. However, at the time of publication of the financial statements, the company estimates that its working capital is sufficient for the needs of the next 12 months, taking into account the individual commitment given by the largest owner. — Current liabilities at the end of December 2022 amounts in total EUR 17.4 million. In accordance with note 25, the financial liabilities and interests falling due within next 12 months totaled EUR 11.2 million, containing the overdraft facilities of EUR 7,5 million which continues until further notice.	Our audit procedures included, among others: — To assess the sufficiency of liquidity we analyzed the business plans and cash flow estimates prepared by the company. — We inspected the financing arrangements carried out during the financial year 2022 and their accounting treatment. Furthermore, we assessed the impacts of the financing arrangements agreed with the main owner. — As part of our year-end audit procedures, we assessed the accuracy of classification of financial liabilities, and considered the adequacy and appropriateness of the disclosures provided on the financial status in the consolidated financial statements.

Valuation of goodwill (refer to the consolidated balance sheet, accounting policies for the consolidated financial statements and note 14 to the consolidated financial statements)

— As at 31 December 2022 the amount of goodwill was in aggregate EUR 4.7 million and represents approximately 38 percent of the consolidated total assets. Consequently, the goodwill constitutes the most significant individual item in the consolidated balance sheet.

— Goodwill is not amortized but is tested at least annually for impairment. During the financial year 2022 the Group prepared goodwill impairment tests on a biannual basis.

— Management makes several estimates of assumptions used in the impairment calculations. The future cash flow projections require management judgement in regard e.g sales growth, profitability, terminal growth and discount rates applied. Carrying amount of goodwill are highly dependent on the Group´s future financial performance.

Our audit procedures included, among others:

— We evaluated the company's estimation process and analyzed the assumptions used in the impairment tests for the previous year by comparing to actual performance in respect of turnover and profitability.

— Our audit procedures on the impairment testing included, among others, the following: We have evaluated the future cash flow estimates for future financial periods and the key assumptions used in the impairment tests, such as sales growth, profitability and terminal growth.

— Furthermore, we involved KPMG valuation specialists when analyzing the reasonableness of the assumptions underlying the goodwill impairment tests, and the technical accuracy of the impairment model.

— As part of our year-end audit, we considered the adequacy and appropriateness of the disclosures provided on goodwill and impairment tests in the consolidated financial statements.

Valuation of subsidiary shares and intercompany receivables in the parent company´s balance sheet (refer to parent company balance sheet, accounting policies for the financial statements and notes)

— The carrying value of the shares in group companies in the parent company Digitalist Group Plc´s balance sheet amounted to EUR 19.4 million after the impairment of EUR 2.4 million recorded as at 31 December 2022. Furthermore, the parent company´s intercompany receivables amounted to EUR 7.1 million and intra-group liabilities EUR 6.8 million as of 31 December 2022.

— Management has prepared long-term forecasts and calculations to support the valuation of subsidiary shares at as

Our audit procedures included, among others:

— We evaluated the basis for the impairment recorded in the financial statements and analyzed the valuation principles of subsidiary shares and intercompany receivables.

December 31, 2022. Valuation of subsidiary shares and intercomapany receivables are highly dependent on the Group´s profitability in the future and the business model

Valuation of trade receivables (refer to Accounting policies for the consolidated financial statements and notes 4, 18 and 25 to the consolidated financial statements)

— Trade receivables, amounting to EUR 3.4 million as at 31 December 2022 constitute a significant item in the consolidated balance sheet. Regardless of the fact that there are no significant credit losses incurred in the past, there is a valuation risk associated with trade receivables.

Our audit procedures included, among others:

— We evaluated monitoring routines for trade receivables and tested the effectiveness of the key internal controls. We also analyzed trade receivables and followed up the payments after year-end 2022 in respect of selected trade receivables to identify any trade receivables potentially impaired.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

— Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 2 April 2014, and our appointment represents a total period of uninterrupted engagement of 9 years.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors. We have obtained the report of the Board of Directors prior to the date of this auditor's report. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

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

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

Helsinki, 31 March 2023

KPMG OY AB

MIIKA KARKULAHTI
Authorized Public Accountant, KHT