FINANCIAL STATEMENTS RELEASE OF DIGITALIST GROUP, 1 January – 30 December 2019

DIGITALIST 2019 – INTERNATIONAL GROWTH

SUMMARY

October – December 2019 (figures for 2018 in brackets):

- Turnover EUR 6.7 million (EUR 7.5 million), decrease -9.6%.
- EBITDA* EUR -1.7 million (EUR -0.8 million), -24.9% of turnover (-11.4%).
- EBIT EUR -9.5 million (EUR -1.3 million), -140.9% of turnover (-17.2%).
- Net result EUR -9.5 million (EUR -1.5 million), -140.4% of turnover (-20.5%).
- Earnings per share (diluted and undiluted) EUR -0.02 (EUR -0.00).

Financial period January – December 2019 (figures for 2018 in brackets):

- Turnover EUR 27.4 million (EUR 24.7 million), growth 10.8%.
- EBITDA* EUR -3.7 million (EUR -4.8 million), -13.6% of turnover, (-19.6%).
- EBIT EUR -14.1 million (EUR -6.4 million), -51.4% of turnover (-26.0%).
- Net result EUR -14.7 million (EUR -6.8 million), -53.5% of turnover (-27.6%).
- Earnings per share (diluted and undiluted) EUR -0.02 (EUR -0.01).
- Cash flow from operations EUR -4.8 million (EUR -6.4 million).
- Number of personnel at the end of the review period 246 (270), a reduction of 8.8%.

*The effect of IFRS 16 on the October–December EBITDA is EUR 0.4 million, and on EBIT in the same period EUR -0.00 million; the effect on EBITDA for the review period is EUR 1.5 million, and on EBIT EUR -0.1 million.
The EBIT and net result of the financial period was impacted by a write-down of the company’s goodwill (EUR -7 million).

Future prospects

In 2020, turnover is expected to remain on the same level as in 2019 and EBITDA is expected to develop positively compared to 2019.

CEO’s review

The turnover of Digitalist Group grew in 2019. In 2020, Digitalist Group will be increasingly well prepared to meet its customers’ rapidly changing needs.

Digitalist Groups has important customer relationships and projects underway in Vancouver, San Francisco, London, Stockholm and Helsinki. Turnover outside of Finland in 2019 accounted for 73% (62%) of the total.

In 2019, the company's turnover grew by 10.8% to EUR 27.4 million (EUR 24.7 million). Turnover grew due to the expansion of international business operations, to which the corporate transactions made in Sweden in 2017 and 2018 contributed positively.

GROWTH IN THE INTERNATIONAL MARKETS

We aim to help our customers provide their target groups with top-notch customer experiences. Our assignments are often extensive – we may even help businesses create entirely new business models.

The Studios located in five different countries, have experts working in specialise in everything from strategy and brand design to design and technology. We combine the skills required for each of our customer projects from our studios operating in various countries.

Digitalist Group's biggest customer accounts comprise the Swedish Unionen as well as Honda, Volvo and Tikkurila. Other important customers include Spotify, AFRY, Finnair, Fredman, the City of Helsinki, the University of Helsinki, Läkare utan gränser, Kulturhuset Stadsteatern and the Finnish Population Register Centre.

During the fourth quarter of 2019, an important customer, City Cruises in London, rolled out the Ticknovate ticketing system developed by Digitalist Group. Ticknovate helps City Cruises to improve customer experiences and increase its turnover.

In December 2019, Digitalist Group signed an important framework agreement with Honda. The Experience Store product developed by Digitalist Group will be installed in Honda's new electric cars worldwide.

The agreements made with City Cruises and Honda represent a recognition of the company's solid know-how in the digitalisation of travel and mobility.

In 2019, we also made interesting new openings in the packaging industry. Digitalist Group is one of the partners backing the Paper Bottle Company, established in October.

INCREASING OPERATIONAL EFFICIENCY

The number of employees at the end of the review period was 246 (270), decreasing by 8.8%. Our employees represent more than 30 nationalities, working in five countries. This is a fine example of our company's diversity and one of the factors that provides our customers with significant added value.

We worked hard in 2019 to improve our profitability and to harmonise our operating models and culture. These will also continue to be key goals during the 2020 financial year. Profitable growth, the enhancement of processes in terms of completed corporate acquisitions as well as the crystallisation of the company's strategy and key messages still require special attention and specifications.

During the financial year, the Group carried out a programme to improve its operational efficiency, which included cooperation negotiations concerning the Group management, sales, support functions, project management and personnel in supervisory positions as well as the concentration of Finnish operations in Helsinki.

COMPETITIVE EDGE THROUGH CUSTOMER EXPERIENCE

I am excited at the start of my first full year as the CEO of Digitalist Group. I believe that the holistic development of the customer experience will be an increasingly important priority for our customers in 2020. The ability and capacity to refine and understand customer data play a key role in this.

International trends show that customer experience is becoming a strategic resource for companies in all markets. Digitalist Group is extremely well-prepared to respond to this change.

I believe that the programme to improve our operational efficiency, carried out in 2019, provides us with a solid foundation for better profitability. I want to thank all our customers for their trust and the international team of Digitalist Group for their strong energy in the midst of multiple changes.

/Petteri Poutiainen, CEO

SEGMENT REPORTING

Digitalist Group reports its business as one segment.

TURNOVER

The Group's Turnover during the fourth quarter were EUR 6.7 million (EUR 7.5 million), representing a decrease of -9.6% on the previous year. The development of turnover was affected by the slower than expected start of significant customer projects, especially in North America. Measures to improve efficiency had an effect on Turnover through reduced capacity.

The Group's Turnover during the financial period were EUR 27.4 million (EUR 24.7 million), which is 10.8% more than in the previous year. Turnover grew due to the expansion of international business operations, to which the corporate transactions made in Sweden in 2017 and 2018 contributed positively. At 73% (62%), turnover generated outside of Finland accounted for more than half of the period's total turnover.

RESULT

EBITDA in the fourth quarter was EUR -1.7 million (EUR -0.8 million), EBIT EUR -9.5 million (EUR -1.3 million) and earnings before taxes totalled EUR -9.6 million (EUR -1.6 million). The fourth quarter's net result was EUR -9.5 million (EUR -1.5 million), and earnings per share were EUR -0.02 (EUR -0.00), while cash flow from operations per share was EUR -0.01 (EUR -0.00). The net result of the fourth quarter was impacted by a write-down of the company's goodwill (EUR -7 million).

EBITDA in the financial period was EUR -3.7 million (EUR -4.8 million), EBIT EUR -14.1 million (EUR -6.4 million) and earnings before taxes totalled EUR -15.0 million (EUR -7.1 million). EBITDA for the financial period was impacted by the introduction of IFRS 16, delays in important customer projects and extra costs related to the company's integration, among other factors. The financial period's net result was EUR -14.7 million (EUR -6.8 million), and earnings per share were EUR -0.02 (EUR -0.01), while cash flow from operations per share was EUR -0.01 (EUR -0.01). The EBIT and net result of the financial period was impacted by a write-down of the company's goodwill (EUR -7 million). The result of the comparison period includes a total of EUR 0.5 million in expenses related to acquisitions.

RETURN ON EQUITY

The Group's equity totalled EUR -8.3 million (EUR 7.0 million). Return on equity (ROE) was negative. Return on investment (ROI) was -69.4% (-28,3%).

INVESTMENTS

Investments during the financial period totalled EUR 1.8 million (EUR 7.3 million). The investments consisted mainly of expenses related to a system project and a product development project. The research and development costs capitalised on the balance sheet at the end of the financial period amounted to EUR 1.4 million (EUR 0.6 million). The product development costs related to the development of the Ticknovate product. The investments of the previous financial period included business acquisitions.

BALANCE SHEET AND FINANCING

The balance sheet total was EUR 26.3 million, down from EUR 32.2 million in 2018. The reduction was mainly due to the write-down of goodwill (EUR -7 million). Shareholders' equity totalled EUR -8.3 million (EUR 7.0 million). The equity ratio was -31.7% (21.8%). At the end of the financial period, the Group had EUR 0.8 million (EUR 0.3 million) of liquid assets.

The negative result had an impact on the negative change in shareholders' equity during the financial period. A write-down of goodwill also had a negative impact on the company's equity during the financial period (EUR 7 million).

At the end of the financial period, the consolidated balance sheet included EUR 8.7 million (EUR 7.5 million) of loans from financial institutions, including bank account limits.

In addition, the company has loans from its principal owners. On 31 December 2019, interest-bearing liabilities totalled EUR 26.8 million (EUR 16.3 million), of which EUR 14.8 million (EUR 8.6 million) were loans from related party companies. Loan agreements concluded with related party companies during the financial period can be found in the section "Related party transactions".

CASH FLOW

Consolidated cash flow from operations during the financial period was EUR -4.8 million (EUR -6.4 million), a change of EUR +1.6 million. Negative cash flow from operations is due to the loss in the results of business operations during the financial period.

To shorten the rotation of trade receivables, the Group is selling some of its trade receivables from Finland. Receivables in the amount of EUR 6.2 million (EUR 7.6 million) were sold during the financial period.

GOODWILL

On 31 December 2019, the consolidated balance sheet showed a goodwill of EUR 10.9 million (EUR 18.1 million), following the write-down recognised during the financial period. The company conducted goodwill impairment testing in accordance with IAS 36 on 31 December 2019 and recorded a goodwill impairment of EUR 7 million on the basis of the test.. The impairment results from the company assuming that there are risks affecting the growth of previously acquired business operations and that growth will be more moderate and slower than previously expected. This change in expectations has affected both the cash flows and discount rate used in the testing.

The following parameters have been used for testing goodwill:
- Length of testing period 4 years
- WACC discount rate 14%
- Terminal value 1%

PERSONNEL

The average number of employees during the fourth quarter was 256 (272). The average number of employees during the financial period was 262 (258), and at the end of the period, 246 (270). At the end of the financial period, 91 (119) persons were employed by the Group’s Finnish companies and 155 (151) persons by its foreign companies. During the financial period, the number of employees decreased by 24 people, mainly as a result of the cooperation negotiations conducted in Finland.

SHARES AND SHARE CAPITAL

Share turnover and price

During the financial period, the company’s highest share price was EUR 0.08 (EUR 0.10), while the lowest share price was EUR 0.04 (EUR 0.04) and the closing price on 31 December 2019 was EUR 0.05 (EUR 0.05). The average share price during the financial period was EUR 0.05 (EUR 0.07). A total of 483,610,063 (15,294,061) of shares were traded during the financial period, representing 74.3% (2.35%) of the shares at the end of the financial period. The market value of shares using the closing price on 31 December 2019 was EUR 29,296,024 (EUR 30,598,069).

Share capital

The company's registered share capital at the beginning of the review period was EUR 585,394.16, and the number of shares was 651,022,746. At the end of the financial period, the share capital was EUR 585,394.16, and the number of shares 651,022,746. The company has one series of shares and the company did not hold any equity shares at the end of the financial period.

Option programmes 2019 and 2016

Digitalist Group Plc has valid stock option programmes for 2019 and 2016, which give a right to subscribe to a total of 31,889,000 new company shares. Descriptions of the option programmes are available on the company's website at https://digitalist.global.

Shareholders

The number of shareholders on 31 December 2019 was 4,073 (3,969). Private individuals held 8.75% (8.51%) and corporations 91.25% (91.49%) of the shares. Foreigners accounted for 0.01% (0.03%) of the shares held. A total of 4.52% (4.73%) of the shares were nominee shares.

RELATED PARTY TRANSACTIONS

Financing arrangements with related parties:

On 21 March 2019, Digitalist Group Plc agreed on an amount of EUR 0.5 million increase of a credit limit up to an aggregate amount of EUR 5.5 million with Nordea Bank Abp. The credit limit is secured by a directly enforceable guarantee granted by Turret Oy Ab and Holdix Oy Ab to Nordea Bank Abp. Digitalist Group, together with Digitalist Finland Ltd, has given a countersecurity to Turret Oy Ab and Holdix Oy Ab in which the company has undertaken, among other things, to pay a guarantee commission.

On 27 May 2019, Turret Oy Ab agreed to buy certain receivables from Digitalist Group Plc's subsidiaries Digitalist Sweden AB, Grow AB and Grow Nine AB. They are worth approximately EUR 1.3 million, and the terms of the transaction were market-based. (A)

Digitalist Group Plc agreed with Tremoko Oy Ab on the conversion of interest of about EUR 0.3 million on a bond subscribed to by Tremoko Oy Ab, maturing on 30 June 2019, into a separate loan. The loan's conditions are market-based, and it originally matured on 31 December 2019. (B)

On 16 August 2019, Digitalist Group Plc agreed a short-term loan of EUR 1.5 million with Turret Oy Ab. The loan's conditions are market-based, and it originally matured on 31 December 2019. (C)

On 23 October 2019, Digitalist Group Plc agreed on a short-term loan of EUR 1.0 million with Turret Oy Ab. The loan's conditions are market-based, and it originally matured on 31 December 2019. (D)

On 28 November 2019, Digitalist Group Plc agreed on a short-term loan of EUR 1.0 million with Holdix Oy Ab. The terms of the loan are market-based, and it will mature on 13 March 2020.

On 28 November 2019, Digitalist Group Plc agreed on a short-term loan of EUR 1.0 million with Turret Oy Ab and on a short-term loan of EUR 1.0 million with Holdix Oy Ab. The terms of the loans are market-based, and they will mature on 13 March 2020.

On 28 November 2019, Digitalist Group and Turret agreed to postpone the due dates of the principals and interests of the company's short-term loans (A–D above) from Turret amounting to approximately EUR 3.9 million, and the due date of the interest (which was to fall due on 31 December 2019) of a long-term convertible bond with a principal amounting to approximately EUR 5.8 million, so that the new due date is 13 March 2020.

On 28 November 2019, Digitalist Group and Holdix agreed to postpone the due dates of the principal and interests of the company's short-term loan from Holdix, the principal amounting to approximately EUR 0,09 million and the due date of the interest (which was to fall due on 31 December 2019) of a long-term convertible bond with a principal of approximately EUR 2.9 million, so that the new due date is 13 March 2020.

Changes in related party shareholdings:

On 18 July 2019, Digitalist Group Plc received from Holdix Oy Ab a flagging notification pursuant to Chapter 9, section 5 of the Finnish Securities Markets Act, according to which Holdix's portion of the company's shares and votes has exceeded the thresholds of 5%, 10%, 15%, 20% and 25%. According to the notification, Holdix held, as a result of a transaction carried out between Holdix, Turret Oy Ab and Tremoko Oy Ab, 164,358,406 of shares in Digitalist Group on 18 July 2019, which is equivalent to approximately 25.25% of the shares and votes in Digitalist Group.

On 18 July 2019, Digitalist Group Plc received from Paul Ehrnrooth and the companies Turret Oy Ab and Tremoko Oy Ab, in which he has a controlling interest, flagging notifications pursuant to Chapter 9, section 5 of the Finnish Securities Markets Act, according to which:

1. Turret's portion of the company's shares and votes had exceeded the thresholds of 5%, 10%, 15%, 20%, 25% and 30%; and
2. Tremoko's portion of the company's shares and votes had fallen below the thresholds of 5%, 10%, 15%, 20%, 25%, 30% and 50% and of two-thirds.

According to the notifications, Turret held 305,237,039 shares in Digitalist Group as a result of a transaction carried out on 18 July 2019, which is equivalent to approximately 46.89% of the shares and votes in Digitalist Group. According to the notifications, Tremoko no longer held any company shares.

On 16 July 2019, the Financial Supervisory Authority granted Turret Oy Ab and Paul Ehrnrooth a permanent exemption under Chapter 11, section 26 of the Securities Markets Act from the obligation to launch a mandatory takeover bid as set out in Chapter 11, section 19, if the Digitalist Group shares held by Tremoko are transferred into the ownership of Turret and Holdix Oy Ab in proportion to Turret's and Holdix's previous holdings in Tremoko (65% / 35%, "Arrangement"). The Arrangement raised Turret's holding in Digitalist Group to over 30% of the company's shares and votes.

OTHER EVENTS DURING THE FOURTH QUARTER

On 29 November 2019, the company changed its previous guidance on its future prospects. The new guidance expects turnover to develop positively in 2019, while EBIT is expected to be lower than in 2018. The previous guidance expected both turnover and EBIT to develop positively in 2019 as compared with 2018.

On 18 December 2019, Digitalist Finland, a subsidiary of Digitalist Group Plc, completed cooperation negotiations that resulted in the decision to close down the Digitalist Group offices in Kemi, Oulu and Tampere. At the end of the cooperation negotiations, the company's personnel was reduced by 17 employees, with no more than four employees being served notice in the end. The restructuring and improved organisational efficiency are expected to bring savings of EUR 1.4 million at Group level.

The stock exchange bulletins for the review period are available on the company's website at https://investor.digitalistgroup.com/investor/releases.

EVENTS FOLLOWING THE REVIEW PERIOD

On 17 January 2020, the company appointed Mervi Södö as interim Chief Financial Officer (CFO) and member of the Management Team.

On 24 January 2020, the company agreed a short-term loan of EUR 1.0 million with Holdix Oy Ab. The terms of the loan are market-based, and it will mature on 13 March 2020. Holdix Oy Ab is Digitalist Group's second largest shareholder.

RISK MANAGEMENT AND NEAR FUTURE UNCERTAINTY FACTORS

Digitalist Group Plc's management objective is to ensure the undisturbed continuation and development of the company's operations, to support the achievement of the business goals set by the company and promote the growth of the company's value. More information about the organisation and processes of risk management and the identified risks can be found on the company's website at https//digitalist.global.

Despite the measures implemented to improve efficiency, the company has recorded losses, which have an immediate effect on the adequacy of its working capital and financing. The risk is managed by maintaining readiness for various financing solutions.

The company is currently dependent on external financing which has mainly been obtained from companies included among its related parties and from financial institutions. The ability of Digitalist Group to finance its own activities and reduce the amount of its debts is dependent on a number of factors, such as cash flow from operations and the availability of leveraging and equity financing, and there can be no certainty that such financing is available in the future. Nor can there be any certainty that Digitalist Group is able to secure more loans or refinance its current debts with acceptable terms and conditions or at all. The company aims to continuously assess and monitor the amount of financing required by operations, so that the company would have sufficient liquid funds to finance its operations and repay any maturing loans. Any disruptions in financing arrangements would impair the financial standing of Digitalist Group.

A significant portion of the Group's turnover is composed of the turnover generated by the twenty largest customers of the company. Changes in key customer accounts could have an adverse effect on Digitalist Group's operations, profit-making ability and financial standing. If one of the largest clients were to move their purchases from Digitalist Group to its competitors or dramatically change their business model, the prospects of finding new client volume in the short term would be limited.

The Group's business consists mainly of individual client contracts that are often fairly short in duration. Some of the project agreements are furthermore subject to a fixed or target price. The length of delivery agreements makes the preparation of any reliable assessments on the Group's business operations, operating results and financial standing for a period exceeding the length of the order book difficult. Ensuring sufficient profitability with regard to fixed-price projects requires an ability to assess the workload required by and/or contractual risks of the project correctly. The aforementioned factors related to customer contracts may cause an unexpected variation in turnover and, as a result, in profitability.

There is a shortage of some experts in Digitalist Group's line of business, regardless of the market situation. In addition, the aggressive recruitment policies prevalent in the industry may increase the risk of personnel moving to the Group's competitors. There are no guarantees of the company's possibility to retain the current personnel and hire new personnel to maintain growth. Should Digitalist Group lose members of its current personnel, it may find it difficult to complete ongoing projects and secure new ones. This could have an adverse effect on Digitalist Group's business operations, operating result and financial standing.

A portion of the Group's turnover is invoiced in currencies other than the euro. The exchange rate risk is managed with net positions and currency hedging contracts, for example. There were no hedging contracts during the 2019 and 2018 review periods.

The Group has a subsidiary in the UK. The impact of Brexit on the subsidiary's business has been assessed and has been estimated to be minor.

The Group's balance sheet contains goodwill, which involves a write-down risk if the Group's expected future cash flows are reduced due to internal or external factors. Goodwill is tested semi-annually and otherwise as necessary.

ON LONG-TERM GOALS AND STRATEGY

The Digitalist Group aims for EBIT of at least 10% in the long term. To achieve its long-term objectives, Digitalist Group aims to grow profitably internationally by designing new thinking, services and technology solutions for sectors undergoing digitalisation. These include the technology and energy sectors, transport and logistics, as well as both private and public consumer services. Digitalist Group's strategy focuses on deepening its service and solution business, and the seamless combination of user and usability research, branding, design and technology

PROPOSAL OF THE BOARD OF DIRECTORS TO THE ANNUAL GENERAL MEETING

The Board of Directors of Digitalist Group Plc proposes to the Annual General Meeting (AGM) that the distributable funds be left in the shareholders' equity and that no dividend be distributed to the shareholders for the financial period 2019. On 31 December 2019, the distributable funds of the parent company were EUR 16 577 097.

The Annual General Meeting of Digitalist Group Plc will be held in Helsinki on Tuesday 14 April 2020.

NEXT REPORT

Business review for the period 1–3/2020 will be published on Friday 24 April 2020.

DIGITALIST GROUP PLC
Board of Directors

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DIGITALIST GROUP

SUMMARY OF FINANCIAL STATEMENTS AND NOTES 1 January – 31 December 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, TEUR

	01.10.–31.12.19	01.10.–31.12.18	Change %	1.1.–31.12.19	1.1.–31.12.18	Change %
Turnover	6,747	7,461	-9.6	27,401	24,737	10.8
Operating costs	-16,250	-8,745	-85.8	-41,488	-31,169	-33.1
EARNINGS BEFORE INTEREST AND TAXES	-9,503	-1,280	-640.1	-14,087	-6,432	-119.0
Financial income and expenses	-98	-309	-42.4	-911	-631	-98.5
Result before taxes	-9,601	-1,593	-524.1	-14,998	-7,063	-117.2
Income taxes	132	61	-117.0	336	235	-42.7
RESULT FOR FINANCIAL PERIOD	-9,470	-1,532	-540.3	-14,662	-6,828	-114.7
Distribution: Equity holders of the parent	-9,470	-1,532	-540.3	-14,662	-6,828	-114.7
Earnings per share: Undiluted, EUR	-0.02	0.00		-0.02	-0.01	
Diluted, EUR	-0.02	0.00		-0.02	-0.01	

STATEMENT OF COMPREHENSIVE INCOME, TEUR

	01.10.–31.12.19	01.10.–31.12.18	Change %	1.1.–31.12.19	1.1.–31.12.18	Change %
Result for financial period	-9,470	-1,532	-540.3	-14,662	-6,828	-114.7
Other comprehensive income statement						
Change in translation difference	73	56	29.7	-541	-344	-99.4
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-9,543	-1,588	-500.9	-15,203	-7,172	-114

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, TEUR

ASSETS	31.12.2019	31.12.2018
NON-CURRENT ASSETS		
Intangible assets	**4,903**	**5,282**
Goodwill	**10,934**	**18,059**
Tangible assets	**3,050**	**553**
Buildings and structures, right of use	2,673	
Machinery and equipment	290	442
Other tangible assets	87	111
Other non-current financial assets	**2**	**2**
NON-CURRENT ASSETS	**18,889**	**23,896**
CURRENT ASSETS		
Trade receivables and other receivables	6,032	8,011
Income tax receivable	572	1
Cash and cash equivalents	787	314
CURRENT ASSETS	**7,391**	**8,326**
ASSETS	**26,280**	**32,222**
EQUITY AND LIABILITIES		
EQUITY		
Parent company owners		
Share capital	585	585
Share premium reserve	219	219
Invested non-restricted equity reserve fund	73,185	73,185
Retained earnings	-67,648	-60,314
Profit for financial period	-14,662	-6,828
Parent company owners	-8,321	7,027
TOTAL EQUITY	**-8,321**	**7,027**
NON-CURRENT LIABILITIES	13,523	12,646
CURRENT LIABILITIES	21,078	12,549
TOTAL EQUITY AND LIABILITIES	**26,280**	**32,222**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY, TEUR

A: Share capital
B: Share premium reserve
C: Invested unrestricted equity reserve
D: Translation difference
E: Retained earnings
F: Total equity attributable to equity holders of the parent
G: Total equity

	A	B	C	D	E	F	G
Shareholders' equity 1 January 2018	585	219	64,457	757	-60,545	5,473	5,473
Other changes					-2	-2	-2
Profit for financial period					-6,828	-6,828	-6,828
Other comprehensive income items							
Change in translation difference				-345		-345	-345
Transactions with shareholders: Rights issue			2,000			2,000	2,000
Share issue			6,748			6,748	6,748
Expenses for equity procurement			-19			-19	-19
Shareholders' equity 31 December 2018	585	219	73,186	412	-67,375	7,027	7,027

Shareholders' equity 1 January 2019	585	219	73,186	412	-67,375	7,027	7,027
Other changes							
Profit for financial period					-14,662	-14,662	-14,662
Other comprehensive income items							
Change in translation difference				-541		-541	-541
Share-based payment expenses					-145	-145	-145
Shareholders' equity 31 December 2019	585	219	73,186	-129	-82,182	-8,321	-8,321

CONSOLIDATED CASH FLOW STATEMENT, EUR 1,000

Cash flow from operations	1.1. 31.12.2019	1.1.–31.12.2018	1.7.–31.12.2019	1.7. –31.12.2018
Profit for the period before taxes	**-14,998**	**-7,063**	**-11,494**	**-3,007**
Adjustment to cash flow from operations:				
Other income and expenses not related to a payment transaction	0	0	16	
Depreciation, impairment	10,371	1,587	8,675	853
Financial income and expenses	911	631	379	516
Other adjustments	-489	165	44	-2,531
Net cash generated before working capital changes	**-4,205**	**-4,680**	**-2,380**	**-4,169**
Change in working capital	-594	-1,343	-1,138	1,384
Interest received	0	16	0	15
Interest paid	-3	-341	-64	-178
Income taxes paid	-17	-27	0	-7
Net cash flow from operating activities	**-4,286**	**-6,375**	**-3,582**	**-2,955**
Acquisition of subsidiaries, net of cash acquired	0	198	0	0
Investment in property, plant and equipment and intangible assets	-1,045	-848	-872	-694
Net cash flow from investing activities	-1,045	-650	-872	-704
Net cash flow before financing	**-5,864**	**-7,026**	**-4,454**	**-3,659**
Cash flow from financing activities				
Withdrawals of non-current loans	392	3,827	392	1,327
Withdrawals of short-term loans	7,502	4,400	5,265	2,162
Repayments of short-term loans	-33	-2,550	-33	-223

Proceeds from rights issues	0	400	0	0
Expenses for equity procurement	0	-19	0	-19
Financial lease payments	-1,525	-84	-764	-46
Net cash flow from financing activities	**6,336**	**5,974**	**4,860**	**3,201**
Change in cash and cash equivalents	473	-1,052	406	-458
Cash and cash equivalents at the beginning of the period	314	1,366	381	772
Cash and cash equivalents at the end of the period	787	314	787	314

Accounting policies

This financial statements release has been prepared in accordance with the IAS 34 Interim Financial Reporting standard. The same accounting policies and calculation methods are used in this report on financial statements that are used for the annual financial statements, with the exception of the following.

The preparation of a financial report in accordance with the IFRS standards requires the company's management to use such estimates and assumptions that affect the amounts of assets and liabilities on the balance sheet at the time of preparation, as well as the amounts of income and expenses for the review period. Discretion is also required in the application of the accounting policies. Because the estimates and assumptions are based on views at the time the accounts were closed, they involve risks and uncertainties. Actual figures may differ from estimates and assumptions.

The income statement and balance sheet figures are consolidated. All group companies' information is included in the consolidated balance sheet. The original release is in Finnish. The English version is a translation of the original.

The figures in the release are rounded up, which means the total of the individual figures may differ from the total presented. The information on the financial periods 2018 and 2019 in the financial statements release have been audited.

Changes in the accounting policies

As of 1 January 2019, the Group has applied the IFRS 16 standard on leases. The new standard replaces the IAS 17 standard and the interpretations relating to it. IFRS 16 Leases lays down the requirements for representing and valuing leases and for the lease-related information presented in the financial statements on the start date of a lease, the lessee records the lease agreement on the balance sheet as a lease payment obligation and a property item relating to it. The lessee must enter interest expenses and depreciation according to plan on the asset item. The lessee must also redetermine the amount of the lease liability in connection with certain events (such as a change in the lease period or a change in lease payments resulting from index increases). The adoption of the standard does not have a major impact on the accounting of lessors.

Digitalist Group has applied the modified retrospective approach to the adoption of the IFRS 16 standard, where comparative figures are not restated. The cumulative effect of the adoption of IFRS 16 has been entered as an adjustment in the opening balance for 2019. The Group has taken advantage of the allowances granted by the IFRS 16 standard, according to which lease agreements of less than 12 months in duration or under USD 5,000 in value are not recorded. The Group does not act as a lessor.
The most notable effect of the introduction of the IFRS 16 standard is that Digitalist records right-of-use assets and debts on the balance sheet that, under the previous standard, used to be lease agreements external to the balance sheet. These agreements mainly concerned premises. The nature of the costs related to these leases has also changed, as IFRS 16 replaces rental cost with depreciation of the right-of-use asset item and an interest expense resulting from a lease liability, which is reported as a financial cost. The effect of the change on the balance sheet is presented below:

The impact of the adoption of the IFRS 16 standard on the opening balance sheet are as follows:

Assets
Right-of-use asset items EUR +3.8 million

Liabilities
Long-term lease liability, interest-bearing, EUR +2.3 million
Short-term lease liability, interest-bearing, EUR +1.5 million

In addition, IFRS 16 has an impact on the comparability of the following financial information:

- With the adoption of IFRS 16, depreciation according to plan has increased and, correspondingly, rental costs have decreased from what they previously were.
- The depreciation of right-of-use asset items in 2019 totalled EUR 1.6 million.
- The impact of the adoption of IFRS 16 on the Group's EBITDA and net result was EUR +1.5 million and EUR -0.1 million, respectively.

The following standards to be adopted as of the beginning of 2020 are not expected to have a material impact on the Group:

Amendments to References to the Conceptual Framework in IFRS Standards (effective for periods beginning on or after 1 January 2020)
The amended framework sets out the fundamental concepts of financial reporting used by IASB in the standards introduced in recent years. The conceptual framework mainly serves the IASB as a tool in developing standards and supports the IFRS Interpretations Committee in its interpretations. The framework does not annul the requirements of individual IFRS standards.
Amendments to IFRS 3 Definition of a Business (effective for financial periods beginning on or after 1 January 2020)

The amendments narrowed and clarified the definition of a business. They also allow making a simplified evaluation of whether a company has acquired a group of assets, rather than a business.
Amendments to IAS 1 and IAS 8 *Definition of Material* (effective for financial periods beginning on or after 1 January 2020). The amendments clarify the definition of 'material' and contain guidance on the coherent application of the concept in all IFRS standards. The explanations relating to the definition have also been improved.

Amendments to IFRS 9, IAS 39 and IFRS17: Interest Rate Benchmark Reform (effective for financial periods beginning on or after 1 January 2020)
The amendments bring temporary relief to the documentation requirements applicable to hedge accounting in situations subject to the direct impact of the IBOR reform. As a result of these reliefs, the hedge accounting will not discontinue due to the impact of the IBOR reform.

Going concern
In this financial statements release, operations are treated as a going concern, taking into account the financing arrangements that are carried out, agreed and under preparation. The forecasts take into consideration probable and foreseeable changes in future expectations for revenues and costs.

Working capital statement
At the time of the publication of the financial statements, the company estimates that its net working capital will be sufficient for the needs of the following 12 months.

Goodwill impairment testing and recognised impairment
Digitalist Group carried out goodwill impairment testing on 31 December 2019. Goodwill has been allocated to one cash generating unit.

Based on the goodwill impairment testing, the value in use of the tested assets fell below the carrying value of the tested items by EUR 7.0 million, due to which a corresponding impairment of goodwill was recognised. Following the recognised impairment, the amount of goodwill on the balance sheet at the end of the review period was EUR 10.9 million.

The company tests its goodwill on the basis of its assets' value in use. In the test carried out on 31 December 2019 in connection to the financial statements, the forecast period for the cash flow consisted of the period 2020–2023.

An average growth of 15% is expected during the forecast period 2020–2023 as digitalisation affects an increasing number of business sectors. The operating profit percentage is expected to rise in such a way that it will be more than 6% at the end of the forecast period.

This method tests the assets against the cash flow they generate over a chosen period, taking into account a discount interest rate and the growth factor for cash flows after the forecast period. The discount rate applied is a 14% (9%) rate of interest. The growth factor used in the calculation of cash flows following the forecast period is 1%. The average weighted EBIT percentage was used when calculating the value for the terminal period.

Negative changes to individual key assumption used in calculations would result in further write-downs of goodwill.

CONSOLIDATED INCOME STATEMENT PER QUARTER, EUR 1,000

	Q4/2019 01.10.–31.12.19	Q3/2019 1.7.–30.9.19	Q2/2019 1.4.–30.6.19	Q1/2019 1.1.–31.12.19	Q4/2018 01.10.–31.12.18
Turnover	6,747	5,760	7,272	7,622	7,461
Operating costs	-16,250	-7,668	-8,715	-8,855	-8,741
EARNINGS BEFORE INTEREST AND TAXES	-9,503	-1,908	-1,443	-1,233	-1,280
Financial income and expenses	-99	16	-892	64	-313
Result before taxes	-9,602	-1,892	-2,335	-1,169	-1,593
Income taxes	132	67	68	69	61
RESULT FOR REFERENCE PERIOD	-9,470	-1,825	-2,267	-1,100	-1,532

CHANGES IN INTANGIBLE AND TANGIBLE ASSETS, EUR 1,000

	Goodwill	Intangible assets	Property, plant and equipment	Other investments	Total
Carrying amount 1 January 2018	12,755	5,024	401	7	18,186
Additions	5,295	1,775	367	0	7,351
Decrease	0	-12	0	-5	-5
Exchange rate changes	10	-136	1	0	-122
Depreciation during review period	0	-1,370	-216	0	-1,586
Carrying amount 31 December 2018	18,059	5,282	553	2	23,823
	Goodwill	Intangible assets	Property, plant and equipment	Other investments	Total
Carrying amount 1 January 2019	18,059	5,282	553	2	23,823
IFRS 16 addition 1 January 2019			3,817		3,817
Additions		1,220	127	0	1,222
IFRS 16 additions during the review period			502		502
Decrease	-11			0	-11
Impairment loss	-7,000				-7,000
Exchange rate changes	-114	-132	-46	0	-178
Depreciation during review period		-1,467	-257	0	-1,640
IFRS 16 depreciation during the review period			-1,646		-1,646
Carrying amount 31 December 2019	10,934	4,903	3,050	2	18,889

KEY FIGURES

ASSETS	1.1.–31.12.2019	1.1.–31.12.2018
Earnings per share, EUR diluted	-0.02	-0.01
Earnings per share, EUR	-0.02	-0.01
Equity per share, EUR	-0.01	0.01
Cash flow from operations/share, EUR diluted	-0.01	-0.01
Cash flow from operations/share, EUR	-0.01	-0.01
Return on investment, %	-69.9	-28.3
Return on equity, %	Neg	Neg
EBIT/turnover, %	-51.4	-26.0
Gearing of total equity, %	-313.4	227.2
Equity-to-assets ratio, %	-31.7	21.8
EBITDA, EUR 1,000	-3,716	-4,845

OTHER INFORMATION

	1.1.–31.12.2019	1.1.–31.12.2018
PERSONNEL, on average	262	258
Personnel at the end of the period	246	270
LIABILITIES, EUR 1,000		
Guarantees for own commitments		
Company mortgages	13,300	23,500
Nominal value of interest rate swap		
Matures in 1 year	0	1,492
Matures in 1–5 years	0	2,296
Matures in 5 years	0	0
Total	0	3,788
Operating leasing liabilities in the financial statements on 31 Dec 2018	3 788	0
Discounted operating leasing liabilities on 1 Jan 2019	3 557	0
Financial leasing liabilities in the financial statements on 31 Dec 2018	153	0
- IFRS 16 relief for short-term and low-value items		0
Other	107	

Lease liabilities 1 Jan 2019	3 817	0
Interest rate swap nominal value		
Matures in 1 year	0	1 492
Matures in 1-5 years	0	2 296
Matures in over 5 years	0	0
Total	0	3 788
Interest-bearing liabilities total		
Long-term loans from financial institutions	2,871	3,025
Other non-current liabilities	9,980	8,639
Short-term interest-bearing liabilities	14,015	4,620
Total	26,866	16,284

CALCULATION PRINCIPLES FOR KEY FIGURES

EBITDA = Earnings Before Interest, Taxes, Depreciation

Diluted earnings per share = Profit for the period/Number of shares, diluted and adjusted for issues, average

Earnings per share = Profit for the period/Number of shares, adjusted for issues, average

Equity per share = Equity/Undiluted number of shares on closing date

Cash flow from operations per share, EUR diluted = Net cash flow from operations/Number of shares, diluted and adjusted for issues, average

Return on investment (ROI) =
(profit before taxes + interest costs + other financing expenses)/
(Balance sheet total – non-interest-bearing liabilities (average) x 100

Return on equity = Net result/total equity (average) x 100

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