Financial statements and annual report

1 January–31 December 2023

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Digitalist Group Plc
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Trade reg. no. 611.522
Business ID 0997039-6

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Annual report

1 January–31 December 2023

Summary of the financial period

Financial period January–December 2023 (comparable figures for 2022 in parentheses):

- Turnover: EUR 16.7 million (EUR 18.6 million), change: –10.1%.
- EBITDA: EUR –0.9 million* (EUR –2.8 million), –5.2% of turnover (–15.1%).
- EBIT: EUR –1.7 million* (EUR –4.4 million**), –10.2% of turnover (–23.7%).
- Net income in the financial period: EUR –4.1 million* (EUR –6.4 million**), –24.5% of turnover (–34.7%).
- Earnings per share: EUR –0.01 (EUR –0.01).
- Earnings per share (diluted): EUR –0.01 (EUR –0.01).
- Cash flow from operations: EUR –2.3 million (EUR –2.2 million).
- Number of employees at the end of the financial period: 126 (150), decrease of 17.3%.

** EBIT, EBITDA and net income of the period were impacted by a booked gain of EUR 0.6 million from the FutureLab share transaction and EUR 0.3 million is attributed to the write-down of Turret accounts payable and an additional purchase price related to the Ticknovate divestment.*

*** EBIT and net income of the comparison period were impacted by an impairment charge of EUR 0.2 million against the right-of-use assets concerning the subletting of Digitalist UK Ltd's rental premises.*

Business

Digitalist Group combines brand strategy, the client experience, design and technology to help its clients succeed and remain meaningful in a constantly-evolving digital environment. Our innovative services offer Digitalist Group a competitive advantage in markets where companies have increasingly identified a positive client experience as a key source of competitive advantage.

Our Branding service develops clients' brands, marketing and client experiences. Our Design services include digital design and service design, from design strategy and user research to visual to visual and interaction design, prototype design and usability research.

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, and we are the leading web design and integration expert in Sweden. Our main clients in Sweden are municipalities, government agencies and NGOs that have chosen an open source strategy.

In addition to its service- and consulting-oriented businesses, Digitalist Group has two highly interesting SaaS businesses with strong growth potential: LeanLab and Open Cloud. LeanLab is a key tool in our usability and user experience offering, providing the opportunity to build client understanding and co-develop with clients and personnel. Open Cloud offers open source products as a service.

The Group's head office is in Helsinki. In addition to Finland, the Group has offices and significant business operations in Sweden (Stockholm). Digitalist's branding, design and technology specialists work together to provide their diverse expertise to its clients. Digitalist Group focuses on its core businesses in the European markets, especially in Sweden and Finland. Consequently, its operations in Canada have been stripped back.

2023

In 2023, we rationalised our operations, made acquisitions and divestments, and continued our efforts to build profitable business operations in challenging market conditions.

Uncertainty has continued over the past year, and the more difficult circumstances impacted our turnover, reducing it to EUR –16.7 million in the 2023 financial period from EUR 18.6 million in 2022. Nonetheless, our cost-saving projects are yielding results, reducing operating costs by EUR 3.9 million during the 2023 financial period and improving EBITDA in both absolute and percentage terms.

Despite the decline in turnover, our strategic decisions – such as the sale of FutureLab & Partners AB and the acquisition of Open Communications International AB – combined with our concentration on our core businesses in the European market have laid the foundation for a healthier, more efficient Digitalist Group. Our EBITDA has improved from EUR –2.8 million in 2022 to EUR –0.9 million in 2023.

The acquisition of Walker & Handson Oy in February strengthened our design and digital transformation capabilities and laid the foundation for future growth opportunities in Finland. The acquisition of Open Communications International AB in July strengthened the Group's expert services in branding, strategy and communications and added several international clients to our portfolio. In addition, the sale of FutureLab & Partners AB and the downsizing of operations in Canada have supported our focus on our core businesses and markets and boosted our financial flexibility.

Our commitment to improving operational efficiency and profitability has been consistent. The additional savings programmes in our subsidiaries and adjustments to bring the cost structure into line with the current market outlook have enabled us to make significant advances towards restoring our financial position.

Innovations, such as Open Cloud, our new SaaS offering that offers open-source products as a service, are an example of our efforts to meet the growing demand for products and services based on open technologies. This, allied with stable growth in our LeanLab SaaS business, underscores our commitment to identifying new growth areas and strengthening our market position.

Our focus on the private and public sectors continues to bear fruit. New framework agreements and long-term cooperation with clients such as the City of Helsinki, EQT and Business Sweden have diversified our client base and strengthened our position in critical sectors that are less affected by the weaker market situation.

Our journey toward sustainable profitability and growth requires constant effort and acceleration. As we move into 2024, Digitalist Group will leverage the strengths of its talented and diverse team, optimise its offering and take advantage of new opportunities. We would like to thank our employees, clients and stakeholders for their support and dedication in 2023.

General meeting of 26 April 2023 and Board of Directors' authorisations

Digitalist Group Plc's Annual General Meeting, which was held on 26 April 2023, adopted the financial statements for the financial year that ended on 31 December 2022 and discharged the members of the Board of Directors and the CEO from liability for the financial period that ended on 31 December 2022. As proposed by the Board of Directors, the Annual General Meeting decided not to pay a dividend for 2022.

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 principal 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 2023 granted the following authorisations:

AUTHORISING THE BOARD OF DIRECTORS TO DECIDE ON SHARE ISSUES AND THE GRANTING OF SPECIAL RIGHTS ENTITLING HOLDERS TO SHARES.

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, subject to the following conditions: The total number of new shares to be issued under this authorisation may not exceed 341,211,370.

The Board of Directors was authorised to decide on all the terms and conditions of share issues and special rights entitling their holders to shares within the limits of the foregoing authorisation, such as the condition that the subscription price may be paid in cash or by offsetting the value against the subscriber's outstanding receivables from the company.

The Board of Directors was authorised to decide to recognise the subscription price either as an increase in the share capital or in the invested unrestricted equity fund, either in whole or in part.

Shares and special rights entitling their holders to shares may also be issued in a directed issue in deviation from the shareholders' pre-emptive rights if there is a weighty financial reason to do so in accordance with the Limited Liability Companies Act. In such a case, the authorisation may be exercised in order to finance corporate acquisitions or other investments in the company's business, to maintain and increase the Group's solvency or to implement its incentive scheme.

The authorisation is valid until the 2024 Annual General Meeting or 30 June 2024, whichever is first. The Board of Directors exercised its authority and decided on a directed issue of 11,007,709 shares on 4 July 2023.

AUTHORISATION OF THE BOARD OF DIRECTORS TO DECIDE ON THE ACQUISITION OF TREASURY SHARES

The general meeting authorised the Board of Directors to decide on the acquisition or distraint of up to 68,242,000 of the company's own shares using the company's distributable assets. The purchase may take place on one or more occasions. The purchase price of the shares may be no more than the highest price paid for the shares in public trading at the time of purchase. When treasury shares are purchased, ordinary derivative contracts, share lending or other contracts may be made in capital markets as provided by the laws and regulations. The authorisation entitles the Board of Directors to decide on the purchase of shares in proportions other than the holdings of the existing shareholders (directed acquisition).

Shares may be purchased for use in executing corporate acquisitions or other arrangements as part of the company's business, to improve the company's financial structure, or otherwise for onward conveyance or cancellation.

The authorisation includes the right of the Board of Directors to decide on all other matters related to the purchase of shares. The authorisation is valid until the 2024 Annual General Meeting or 30 June 2024, whichever is first. The authorisation had not been used by the publication date of the financial statement release.

AMENDMENT OF THE ARTICLES OF ASSOCIATION

The Annual General Meeting decided to amend clause 8 (Notice of meetings) of the company's Articles of Association to the effect that the heading mentions the meeting venue, and provisions concerning the meeting venue and remote meetings were added to the second paragraph.

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 and Sweden. These offices have technology and design experts and a local sales organisation.

Segments

Digitalist Group reports its business in a single segment.

Turnover

The Group's turnover for the period totalled EUR 16.7 million (EUR 18.6 million), which is 10.1% less than in the previous year. Full-year turnover did not meet the target. Inflation, higher interest rates and other factors contributing to economic uncertainty made clients more cautious about initiating new projects. Turnover outside Finland accounted for the majority of the Group's turnover in the financial period, standing at 61% (74%).

Result

EBITDA for the financial period was EUR –0.9 million (EUR –2.8 million), EBIT was EUR –1.7 million (EUR –4.4 million) and earnings before taxes were EUR –4.0 million (EUR –6.4 million). Operating expenses decreased by EUR 3.9 million year-on-year. Of this figure, subcontracting expenses decreased by EUR –1.1 million and personnel costs by EUR –1.4 million as a consequence of efficiency enhancement measures and divestments. EBIT, EBITDA and net income of the period were impacted by a booked gain of EUR 0.6 million from the FutureLab Share transaction and EUR 0.3 million is attributed to the write-down of Turret accounts payable and an additional purchase price related to the Ticknovate divestment. EBIT and net income of the comparison period were impacted by an impairment charge of EUR 0.2 million against the right-of-use assets concerning the subletting of Digitalist UK Ltd's rental premises.

Net financial items amounted to EUR –2.3 million (EUR –2.0 million), consisting mainly of external interest expenses related to financing loans and related party loans. Earnings for the financial period came to EUR –4.1 million (EUR –6.4 million), earnings per share were EUR –0.01 (EUR –0.01), and cash flow from operations per share was EUR –0.01 (EUR –0.00).

Investments

The Group's subsidiary, Digitalist Finland Ltd, purchased the share capital of Walker & Handson Oy during the financial period. The acquisition price was approximately EUR 0.9 million, of which EUR 0.6 million was recognised as an increase in goodwill.

Digitalist Group acquired the share capital of Open Communications International AB, which is based in Sweden. The acquisition price was approximately EUR 0.9 million, of which EUR 0.5 million was recognised as an increase in goodwill.

Other 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 capital

The balance sheet total was EUR 11.4 million (EUR 12.2 million).

Shareholders' equity amounted to EUR –32.7 million (EUR –30.8 million). The proportion of shareholders' equity attributable to minority interests is EUR 0.1 million (EUR 0.5 million). The solvency ratio was –285.9% (–252.0%). Return on equity (ROE) was negative. Return on investment (ROI) was –27.8% (–75.6%). The Group's shareholders' equity was negatively affected by the loss for the financial period.

At the end of the period, the Group's liquid assets totalled EUR 0.9 million (EUR 0.9 million). At the start of 2023, the company made an agreement with its financing bank to raise its financing limit by EUR 0.7 million. The minority shareholders of Digitalist Open Tech AB (formerly Digitalist Sweden AB) paid EUR 1.4 million in long-term debt to Digitalist Group Plc during the financial period. The sale of FutureLab improved liquid assets by EUR 1.2 million.

At the end of the financial period, the Group's balance sheet recognised EUR 11.2 million(EUR 11.0 million) in loans from financial institutions, including the overdrafts in use. Lease liabilities under IFRS 16 amounted to EUR 1.0 million (EUR 1.3 million). In addition, the company has loans from its main owners. On 31 December 2023, the Group's interest-bearing liabilities amounted to EUR 35.7 million (EUR 35.3 million), of which related-party loans amounted to EUR 23.4 million (EUR 23.1 million). Of the related-party loans, EUR 16.9 million (EUR 16.8 million) are capital loans. The loan agreements made with related-party companies during the financial period are in the section of the financial statements entitled related-party transactions. Further information about capital 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 –2.3 million (EUR –2.2 million), a change of EUR –0.1 million. Improved profitability, repayments of loan receivables, a larger overdraft facility, and the sale of FutureLab & Partners AB have contributed to the improvement of the company's liquid assets. The change in working capital has had a negative effect on cash flow.

In order to reduce the rate of turnover of trade receivables, the Group sells some of its trade receivables from Finnish clients. Trade receivables worth EUR 3.2 million (EUR 3.1 million) were sold during the financial period.

Goodwill

On 31 December 2023, the consolidated balance sheet recognised EUR 5.4 million (EUR 4.7 million) in goodwill. The acquisitions of Walker & Handson Oy and Open Communications International AB and the sale of FutureLab & Partners AB affected goodwill. The company tested sits goodwill in accordance with IAS 36 on 30 June 2023 and 31 December 2023. There was no need for impairment.

Personnel

The average number of employees during the financial period was 139 (159), and the Group had 126 (150) employees at the end of the period. At the end of the financial period, 52 (60) of the Group's personnel were employed in the companies in Finland and 72 (90) were employed in the companies abroad.

Shares and share capital

TRADING VOLUME AND PRICE

During the financial period, the company's share price hit a high of EUR 0.03 (EUR 0.04) and a low of EUR 0.01 (EUR 0.02), and the closing price on 31 December 2023 was EUR 0.02 (EUR 0.02). The average share price in the financial period was EUR 0.02 (EUR 0.03). During the financial period, 40,711,793 (72,922,285) shares were traded, corresponding to 6.0% (10.7%) of the number of shares in circulation at the end of the period. Market capitalisation at the closing share price on 31 December 2023 was EUR 10,236,341 (EUR 12,966,032). Further information is in the section of the notes entitled "Information on shares, shareholders and options".

SHARE CAPITAL

The company's registered share capital at the beginning of the financial period was EUR 585,394.16, and there were 682,422,746 shares. At the end of the period, the share capital was EUR 585,394.16, and there were 693,430,455 shares. The company has one class of shares. At the end of the financial period, the company held 7,664,943 of its own shares, or 1.1% of the total float.

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.

The options belonging to the company's 2021 option scheme 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 financial period is approximately EUR 0.8 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 2023. 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 2023 was 5,578 (5,457). Private individuals owned 10.4 (10.1) per cent and entities held 79.5 (79.5) per cent. Foreign nationals or entities held 10.0 (10.4) per cent of the shares. Nominee-registered shares accounted for 6.3 (3.4) per cent of the total.

Related-party transactions

FINANCING ARRANGEMENTS WITH RELATED PARTIES

On 31 October 2023, Digitalist Group made an agreement with Turret Oy Ab on a loan of EUR 2.0 million. The company is entitled to withdraw the loan in instalments by 31 December 2024. The loan was agreed on market terms, and it matures on 31 December 2025. Turret is Digitalist Group's largest shareholder.

COMPANY ARRANGEMENTS WITH RELATED PARTIES

Digitalist Group sold its wholly-owned subsidiary FutureLab & Partners AB on 4 July 2023. The equity transaction was executed by selling FutureLab's entire share capital to Turret Oy Ab. Turret is Digitalist Group's largest shareholder. The transaction price was EUR 1.2 million, and it was paid in cash.

Changes in the Group structure

On 23 February 2023, Digitalist Group Plc's subsidiary, Digitalist Finland Ltd, acquired the entire share capital of Walker & Handson Oy in a share exchange by directing new shares in Digitalist Finland Ltd to Walker & Handson Oy in an amount equivalent to approximately 10% of all Digitalist Finland Ltd's shares after the share issue. Under the arrangement, W&H's owner, Jussi Hermunen, was appointed CEO of Digitalist Finland Ltd. Walker & Handson Oy merged with Digitalist Finland Ltd on 31 December 2023.

Digitalist Group Plc agreed on a directed share issue at a subscription price of EUR 250,000 to a holding company owned by the CEO of LeanLab Oy on 19 June 2023. Following the share issue, the management gained a 15% minority shareholding in LeanLab Oy.

On 4 July 2023, Digitalist Group acquired the share capital of Open Communications International AB ("OC"), which is based in Sweden. Digitalist Group acquired 70% of OC's share capital by paying SEK 2.5 million in cash and the remaining 30% of OC's share capital with a share issue of up to 11,007,709 new shares in Digitalist Group directed to David Gray's holding company. In addition, Digitalist Group acquired the remaining 30% of OC's share capital by transferring shares in its wholly-owned subsidiary Grow AB to the sellers. The total transaction price was SEK 10.6 million. Following the arrangement, the sellers gained a 10% minority shareholding in Grow AB, and Digitalist Group retained its 90% holding.

Digitalist Group sold its wholly-owned subsidiary Future-Lab & Partners AB on 4 July 2023. The equity transaction was executed by selling FutureLab's entire share capital to Turret Oy Ab. Turret is Digitalist Group's largest shareholder. The transaction price was EUR 1.2 million, and it was paid in cash.

Events since the financial period

In the course of preparing the financial statements for the fiscal year 2023, Digitalist Group identified the need for write-downs amounting to EUR 3.1 million related to the value of subsidiaries in the balance sheet. Due to the write-downs, the Company's equity will is less than half of the Company's share capital in the 2023 financial statements.

In order to strengthen the Company's equity, Digital Group decided on 22 March 2024 to utilize the right provided by Turret Oy Ab ("Turret") and Holdix Oy Ab ("Holdix") to convert a total of 1,907,175.40 euros and interest 334,513.29 euros of the principal and interest of the convertible bonds 2021/3 and 2021/4 subscribed by Turret and Holdix into a capital loan in accordance with Chapter 12 of the Limited Liability Companies Act.

The company announced the details of the arrangement on 22 March 2024 and published a stock exchange release.

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 company 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 company aims to continuously assess and monitor the amount of necessary business financing to ensure that it has sufficient liquid assets to finance its operations and repay maturing loans. Any disruptions in the financial arrangements would weaken Digitalist Group's financial position.

The company is currently dependent on external financing, most of which has been obtained from related-party companies and financial institutions. Digitalist Group's ability to finance its operations and reduce the amount of its debt depends on several factors, such as the cash flow from operations and the availability of debt and equity financing, and there is no certainty that such financing will be available in the future. Similarly, there can be no certainty in the long term 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. Negotiations began in autumn 2023 on the arrangements for related party convertible bonds maturing during 2024. After the end of the financial year, Digitalist Group has received a confirmation from its main owners regarding rescheduling of the due dates of the loans, and ensuring the Company's capability to meet its payment obligations for a minimum period of 12 months ahead.

Any changes to key client accounts could have a substantial impact on Digitalist Group's operations, earning potential and financial position. If one of Digitalist Group's largest clients decided to switch to a competing company or drastically altered its operating model, the chances of finding client volumes to replace the shortfall in the near term would be limited.

The Group's business consists mainly of individual client 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 aspects can lead to unpredictable fluctuations in turnover and, thereby, in profitability. Some of the Group's business consists of fixed-price deliveries. Fixed-price client 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 that occasionally arise 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 number 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 – mainly in the Swedish krona. The risk associated with changes in exchange rates can be managed in various ways, including net positioning and currency hedging contracts. In 2023 and 2022, the Group had no hedging contracts.

The Group's balance sheet contains goodwill that is subject to impairment risk in the event that the Group's future yield expectations decrease due to internal or external factors. The goodwill is tested for impairment every six months and whenever the need arises.

General economic uncertainty and low growth forecasts in the company's key markets affected the Group's business during the financial period, but the future impact is difficult to estimate. Geopolitical uncertainty may affect the business activities of some of the Group's clients, thereby indirectly affecting the Group's business. The Group has no business activities in Russia or Ukraine.

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 28 March 2024. 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 net sales in 2023 and 2022. The operating profit was EUR –0.6 million (EUR –1.2 million). Earnings for the financial period were EUR –4.6 million (EUR –5.3 million). The earnings for the period were affected by an impairment charge of EUR 3.5 million (EUR 2.5 million) on subsidiary shares and Group receivables.

The balance sheet total was EUR 23.2 million (EUR 28.0 million). Shareholders' equity amounted to EUR –16.9 million (EUR –12.5 million). Shareholders' equity was EUR 0.0 million (EUR 4.4 million), taking into consideration the conversion of EUR 16.9 million of convertible bonds into capital loans.

Due to the impairment charges recognised in the financial statements, the company's shareholders' equity on the balance sheet date is less than half of its share capital. However, the partial conversion of the 2021/3 and 2021/4 convertible bonds held by Turret Oy Ab and Holdix Oy Ab into capital loans – announced by the company on 22 March 2024 – has strengthened the Company's balance sheet and financial solidity.

The equity ratio was 0.1% (16.1%), taking into account the capital 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 0 (1), and the Group had 0 (0) employees at the end of the period. Salaries and bonuses amounted to EUR 0.3 million (EUR 0.4 million), pension expenses were EUR 0.0 million (EUR 0.0 million), and other personnel add-on costs were EUR 0.0 million (EUR 0.0 million). Personnel expenses totalled EUR 0.3 million (EUR 0.4 million), which is approximately 26.5% of operating expenses (27.2%).

Cash flow from operating activities in the financial period amounted to EUR –2.1 million (EUR –0.4 million).

EUR 1.0 million of interest on capital loans in the 2023 financial period was not recognised as an expense. Further information about capital loans is provided in the notes concerning the parent company.

Outlook for the future

In 2024, it is expected that turnover will maintain its current level and EBITDA will improve in comparison with 2023.

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 2023 financial period. On 31 December 2023, the parent company had distributable assets of EUR –17,675,655.

Digitalist Group Plc's Annual General Meeting will be held in Helsinki on Thursday 25 April 2024.

Key indicators

Key indicators for the Group

	IFRS 1 January–31 December 2023	IFRS 1 January–31 December 2022	IFRS 1 January–31 December 2021	IFRS 1 January–31 December 2020	IFRS 1 Jan–31 Dec 2019
Turnover (EUR thousand)	16,681	18,563	18,482	20,487	27,401
Turnover (% change)	−10.1%	0.4%	−9.8%	−25.2%	10.8%
EBITDA* (EUR thousand)	−861	−2,786	−1,778	−2,021	−3,716
% of turnover	−5.2%	−15.0%	−9.6%	−9.9%	−13.6%
Operating profit/loss (EUR thousand)	−1,696	−4,429	−5,315	−9,059	−14,087
% of turnover	−10.2%	−23.9%	−28.8%	−44.2%	−51.4%
Profit/loss before taxes (EUR thousand)	−3,969	−6,448	−5,794	−12,057	−14,998
% of turnover	−23.8%	−34.7%	−31.4%	−59%	−54.7%
Balance sheet total (EUR thousand)	11,444	12,213	14,120	19,645	26,280
Return on equity (%)	neg.	neg.	neg.	neg.	neg.
Return on capital employed (%*)	−27.8%	−75.6%	−54.4%	−75.9%	−69.4%
Interest-bearing liabilities (EUR thousand)	35,747	35,302	32,669	28,075	26,866
Financial assets, cash and cash equivalents (EUR thousand)	893	899	984	1,008	787
Net gearing*	−106.5%	−111.8%	−128.9%	−162.2%	−313.4%
Equity ratio*	−285.9%	−252.0%	−174.1%	−84.9%	−31.7%
Investments (EUR thousand)*	22	39	48	28	1,847
% of turnover	0.1%	0.2%	0.3%	0.1%	6.7%
Average number of personnel	139	159	172	208	261
Number of personnel at the end of the financial period	126	150	165	182	246

* *Investments do not include leases in accordance with IFRS 16. The comparison figure for 2020 has been adjusted accordingly.*

Key indicators per share

	1 January–31 December 2023	1 January–31 December 2022	1 January–31 December 2021	1 January–31 December 2020	1 Jan–31 Dec 2019
Earnings per share (EUR), diluted (EUR) and *	−0.01	−0.01	−0.01	−0.02	−0.02
Earnings per share (EUR), undiluted (EUR)*	−0.01	−0.01	−0.01	−0.02	−0.02
Price-to-earnings ratio*	neg.	neg.	neg.	neg.	neg.
Closing price (EUR)	0.02	0.02	0.03	0.04	0.05
Average number of shares adjusted for share issues*	679,583,100	654,721,924	651,022,746	651,022,746	651,022,746
Number of shares at the end of the financial period	693,430,455	682,422,746	651,022,746	651,022,746	651,022,746
Average number of shares adjusted for dilution effect*	1,477,408,217	1,035,979,023	1,015,830,193	1,108,794,366	651,022,746
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	−0.05	−0.04	−0.03	−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.

* *Directed share issues and the conversion of the convertible bond have affected the number of shares and key indicators per share.*

Return on equity

	2023	2022	2021	2020	2019
Profit before taxes	−3,969	−6,448	−5,794	−12,057	−14,998
Financial expenses	−3,026	−2,404	−2,000	−3,219	−1,994
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			
Balance sheet total Q4 2023	11,444				
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			
Non-interest-bearing liabilities Q4 2023	8,415				
Return on equity (%)	**−27.8%**	**−75.6%**	**−54.4%**	**−75.9%**	**−69.4%**

Principles for calculating the key indicators

EBITDA = Earnings before interest, taxes, depreciation and impairment

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

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

Equity ratio = $\dfrac{\text{Total shareholders' equity}}{\text{Balance sheet total – Advances received}} \times 100$

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

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

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

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

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

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

Dilution effect = Number of shares in the company + Number of allocated options – 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 2023.

The total number of shares in the company was 693,430,455 on 31 December 2023.

Stock exchange quotations

Digitalist Group Plc is listed on Nasdaq Helsinki.

The company has one class of shares: DIGIGR.

	2023	2022	
Subscription price of shares on flotation 1 October 1999	5.75	5.75	EUR
Highest quotation for shares during the financial period	0.03	0.04	EUR
Lowest quotation for shares during the financial period	0.01	0.02	EUR
Share price 31 Dec	0.02	0.02	EUR
Market capitalisation 31 Dec	10,236,341	12,966,032	EUR
Share trading volume 1 Jan–31 Dec	40,711,793	72,922,485	shares
Total trading volume in euros	882,973	1,839,402	EUR
Average price 1 Jan–31 Dec	0.02	0.03	EUR
Share trading volume (% of the total number of shares) 31 Dec	6.0%	10.7%	
Weighted number of shares adjusted for the share issue 31 Dec	679,583,100	654,721,924	shares
Number of shares adjusted for the dilution effect 31 Dec	1,477,408,217	1,035,979,023	shares
Number of shares 31 Dec	693,430,455	682,422,746	shares

Ownership of shares

	Number of shares	Proportion of shares (%)	Number of holders
Individuals	72,399,269	10.44%	5,477
Institutions	577,655,809	83.30%	92
Nominee-registered shares	43,375,377	6.26%	
Total	**693,430,455**	**100.00%**	**5,578**
Institutional holdings			
Companies	356,686,429	51.44%	
Financial and insurance institutions	175,019,392	28.10%	
Public corporations	0	0.00%	
Non-profit organisations	502	0.00%	
Foreign countries	45,949,486	10.02%	
Total	**693,430,455**	**83.30%**	
of which nominee-registered shares	43,375,377	6.26%	

Largest shareholders

	Number of shares	Proportion of shares (%)
Turret Oy Ab	336,637,039	48.55%
Holdix Oy Ab	164,358,406	23.70%
Rosebloom Ventures Ab	44,427,665	6.41%
Nordea Bank Abp	8,182,317	1.18%
Digitalist Group Plc	7,664,943	1.11%
Rome Advisors Oy	4,687,666	0.68%
Österlund Jori Ville Ferdinand	4,549,962	0.66%
Sjöblom Katri Pauliina	4,074,561	0.59%
Karisma-Invest Oy	2,588,557	0.37%
Hämäläinen Kari Heikki Kristian	1,800,000	0.26%
4capes Oy	1,705,000	0.25%
Fennia Life Insurance Company Ltd	1,671,931	0.24%
Sjöblom Kari Tapio	1,566,926	0.23%
Liselotte Tingvall Holding Ab	1,517,196	0.22%
Rapeli Marko Teo Mikael	1,367,895	0.20%
Suihkonen Raisa Maria	1,322,145	0.19%
Laaksonen Lars	1,240,000	0.18%
Altonen Ritva Marjatta	1,090,000	0.16%
Ritanen Eero Juhani	1,000,000	0.14%
Others*	101,978,246	14.71%
Total	**693,430,455**	**100.00%**

* *Elmtwig Holding AB, a company controlled by Johan Almquist, owns 12,901,841 shares.*

Distribution of ownership

	Shares	Proportion of shares (%)	Shares	Proportion of shares (%)
1–100 shares	977	17.52%	44,267	0.01%
101–1,000 shares	1,753	31.43%	945,156	0.14%
1,001–10,000 shares	1,998	35.82%	8,344,219	1.20%
10,001–100,000 shares	722	12.94%	22,735,784	3.28%
100,001–1,000,000 shares	106	1.90%	28,219,278	4.07%
More than 1,000,000 shares	22	0.39%	633,141,751	91.31%
Total	**5,578**	**100.00%**	**693,430,455**	**100.00%**

Management shareholdings and options

	Holding 2023	Number of votes (%)	Holding 2022
Shares owned by the CEO and members of the Board of Directors	397,427,364	57.31%	397,427,364
Options held by the CEO and members of the Board of Directors	4,301,000	0.62%	4,301,000

Consolidated income statement

The audited section of the financial statements begins on this page.

Consolidated income statement (IFRS)

EUR thousand	Note	1 January–31 December 2023	1 January–31 December 2022
Turnover	**2, 4**	**16,681**	**18,563**
Other operating income	5	1,007	279
Materials and services	6	–3,202	–4,256
Expenses from employee benefits	7, 8	–12,269	–13,701
Depreciation and impairment	9	–834	–1,643
Other operating expenses	10	–3,078	–3,670
Total expenses		**–19,383**	**–23,271**
Operating profit		**–1,696**	**–4,429**
Financial income		752	385
Financial expenses		–3,026	–2,404
Total financial income and expenses	**11**	**–2,274**	**–2,019**
Profit before taxes		**–3,969**	**–6,448**
Income taxes	12	–115	6
Profit/loss for the financial period		**–4,085**	**–6,442**
Distribution			
Owners of the parent company		–4,042	–6,533
Non-controlling interests		–43	90
Earnings per share (EUR) (diluted)		–0.01	–0.01
Earnings per share (EUR) (undiluted)	13	–0.01	–0.01

Consolidated statement of comprehensive income

Consolidated statement of comprehensive income (IFRS)

EUR thousand	Note	1 January–31 December 2023	1 January–31 December 2022
Profit/loss for the financial period		**–4,085**	**–6,442**
Other items of comprehensive income			
Items that may be reclassified through profit or loss at a later date			
Translation difference		229	–711
Total other items of comprehensive income for the period		**229**	**–711**
Total comprehensive income for the financial period		**–3,855**	**–7,154**
Comprehensive income distribution for the financial period:			
Owners of the parent company		–3,807	–7,247
Non-controlling interests		–48	93

Consolidated balance sheet

Consolidated balance sheet (IFRS)

ASSETS

EUR thousand	Note	1 January–31 December 2023	1 January–31 December 2022
Non-current assets			
Goodwill	9, 14	5,444	4,678
Other intangible assets	9, 14	422	110
Tangible assets	9, 15, 16	917	1,201
Other investments	17	6	102
Long-term loan receivables	17, 24	24	1,208
Deferred tax asset	12	0	37
Total non-current assets		**6,814**	**7,335**
Current assets			
Trade receivables	4, 18	3,055	3,360
Other receivables	18	681	619
Cash and cash equivalents	17	893	899
Total current assets		**4,630**	**4,878**
Total assets		**11,444**	**12,213**

SHAREHOLDERS’ EQUITY AND LIABILITIES

EUR thousand	Note	1 January–31 December 2023	1 January–31 December 2022
Shareholders’ equity			
Parent company's shareholders' equity			
Share capital	19	585	585
Share premium account	19	219	219
Invested unrestricted equity fund	19	73,917	73,662
Retained earnings		−103,343	−99,210
Profit/loss for the financial period		−4,042	−6,533
Total shareholders’ equity attributable to the parent company’s owners		−32,664	−31,276
Total shareholders’ equity attributable to non-controlling interests	20	−53	503
Total shareholders’ equity		**−32,717**	**−30,774**
Non-current liabilities			
Financial liabilities	22, 24	3,667	25,594
Deferred tax liabilities	12	82	17
Total non-current liabilities		**3,749**	**25,612**
Current liabilities			
Accounts payable	22, 23	864	1,373
Other financial liabilities	22, 24	32,080	9,707
Other liabilities	22, 23	7,468	6,296
Total current liabilities		**40,412**	**17,376**
Total shareholders’ equity and liabilities		**11,444**	**12,213**

Consolidated cash flow statement

EUR thousand	Note	1 January–31 December 2023	1 January–31 December 2022
Cash flow from operations			
Earnings before taxes in the period		–3,969	–6,448
Adjustments to cash flow from operations			
Other income and expenses with no payment transactions		–77	239
Depreciation and impairment	9	834	1,643
Unrealised foreign exchange gains and losses		–256	–243
Other adjustments		–562	–47
Financial income and expenses	11	2,274	2,019
Cash flow financing before changes in working capital, interest and taxes		**–1,755**	**–2,837**
Change in working capital		–262	891
Change in trade receivables and other receivables		453	375
Change in accounts payable and other liabilities		–715	516
Interest received	11	1	62
Interest paid	11	–89	–16
Taxes paid	12	–149	–304
Net cash flow from operations		**–2,255**	**–2,203**
Cash flow from investments			
Acquisitions by subsidiaries	3	–10	
Sales of subsidiaries net of cash acquired	3	1,114	
Investments in tangible and intangible assets	14, 15	–22	–39
Investments in other investments	27		–470
Repayments of loan receivables	17	1,290	
Interest income from investments	11	91	
Taxes paid	12	–14	
Capital gains from other investments	27		593
Net cash flow from investments		**2,448**	**83**
Cash flow before financial items		**193**	**–2,120**
Cash flow from financing activities			
Paid increase in shareholders' equity			691
Transactions with non-controlling interests		136	–70
Drawdown of long-term loans	21, 22	750	1,909
Repayment of long-term loans	21, 22		–60
Drawdown of short-term loans	22	737	874
Repayment of short-term loans	22	–502	
Interest and other charges for financial expenses	11	–622	–348
Repayment of lease liabilities	16	–698	–902
Net cash flow from financing		**–198**	**2,094**
Change in cash and cash equivalents		**–5**	**–26**
Cash and cash equivalents at the beginning of the financial period	17	899	984
Effect of exchange rate changes		0	–59
Cash and cash equivalents at the end of the financial period	17	893	899

Calculation of changes in consolidated shareholders' equity

Shareholders' equity attributable to the parent company's owners in 2022

EUR thousand	Share capital	Share premium fund	Invested unre-stricted equity fund	Transla-tion differ-ences	Retained earnings	Total	Share attribut-able to non-con-trolling interests	Total sharehold-ers' equity
Shareholders' equity, 01 January 2022	585	219	72,972	–485	–98,384	–25,091	506	–24,585
Profit/loss for the financial period					–6,533	–6,533	90	–6,442
Translation difference				–714		–714	3	–711
Total comprehensive income for the financial period						**–7,247**		
Share issue			691			691		691
Equity loan					130	130		130
Transactions with owners								
Share-based remuneration					240	240		240
Transactions with non-controlling interests							–96	–96
Shareholders' equity, 31 December 2022	**585**	**219**	**73,663**	**–1,199**	**–104,547**	**–31,277**	**503**	**–30,773**

Shareholders' equity attributable to the parent company's owners in 2023

EUR thousand	Share capital	Share premium fund	Invested unre-stricted equity fund	Transla-tion differ-ences	Retained earnings	Total	Share attribut-able to non-con-trolling interests	Total sharehold-ers' equity
Shareholders' equity, 01 January 2023	585	219	73,663	–1,199	–104,547	–31,277	503	–30,773
Transfers between equity items				–229	229			
Profit/loss for the financial period					–4,042	–4,042.1	–43	–4,085
Translation difference				235		235	–5	229
Total comprehensive income for the financial period						**–3,807**		
Share issue			254			254		254
Purchase of treasury shares								
Transactions with owners								
Share-based remuneration					176	176		176
Transactions with non-controlling interests					1,989	1,989	–508	1,481
Shareholders' equity, 31 December 2023	**585**	**219**	**73,917**	**–1,193**	**–106,192**	**–32,665**	**–53**	**–32,717**

Notes to the consolidated financial statements

1. Basis of preparation

BASIC INFORMATION ABOUT THE GROUP

Digitalist Group Plc (the "company" or the "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 were prepared for the 12-month financial period from 1 January to 31 December 2023. A copy of the consolidated financial statements is available at www.digitalist.global or at the headquarters of the Group's parent company 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 were not within the scope of the auditor's brief.

Digitalist Group Plc and its subsidiaries together form the Digitalist Group (the "Group"), 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.

The Board of Directors has approved the financial statements for publication on 28 March 2024. 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 POLICIES

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 2023, 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.

Note 1 describes the general accounting policies for the consolidated financial statements. The accounting policies for specific items in the financial statements, descriptions of decisions based on management discretion, and the use of estimates and assumptions are presented in connection with the note item in question.

The consolidated financial statements are presented in thousands of euros, and the parent company's financial statements are presented to the nearest cent, unless otherwise stated. The figures are based on original acquisition costs, except for equity instruments recognised at fair value through profit or loss, transaction price allocations, and financial assets and liabilities.

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 in the financial statements are related to assessments of the continuity of the business, impairment testing, determination of the allocation and depreciation periods for acquisitions, valuation of trade receivables, and IFRS 2 share-based payments.

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.

The going concern principle

The Group 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 aims to continuously assess and monitor the amount of necessary business financing to ensure that it has sufficient liquid assets to finance its operations and repay maturing loans. Any disruptions in the financial arrangements would weaken Digitalist Group's financial position.

Negotiations began in autumn 2023 on arrangements for the related party convertible bonds (EUR 5.8 million) maturing on 31 May 2024 and 30 June 2024. After the end of the financial year, Digitalist Group has received a confirmation from its main owners regarding rescheduling of the due dates of the loans, and ensuring the Company's capability to meet its payment obligations for a minimum period of 12 months ahead. On these grounds, the financial statements were prepared in accordance with the principle of the business as a going concern.

Although efficiency enhancement measures have been taken, the company is still loss-making. On 31 October 2023, Digitalist Group made an agreement with Turret Oy Ab on a loan of EUR 2.0 million. The company is entitled to withdraw the loan in instalments by 31 December 2024. EUR 0.8 million had been withdrawn by the balance sheet date. Based on the above, the Board of Directors estimates that the company has sufficient funding to cover its running costs for the next 12 months.

The assumption of continuity is also based on the following:

- The cost-saving programmes launched in 2022 have improved the Group's profitability since the start of 2023. Operating expenses decreased by EUR 3.9 million year-on-year during the financial period, and the cost structure for 2024 is lighter.
- Furthermore, the effects of the cost-saving programmes launched in 2023 will be realised almost in full in 2024.
- The Group has identified new growth areas and is strengthening its market position with the help of LeanLab and Open Cloud, which is expected to have a positive impact on sales.
- During the financial period, the company agreed to increase its credit line with a financier by EUR 0.7 million.
- In July, the company divested the shares of its wholly-owned subsidiary FutureLab & Partners AB for EUR 1.2 million. The transaction boosted Digitalist Group's shareholders' equity with a capital gain of approximately EUR 0.6 million.
- As part of the company's efforts to improve its profitability, the operations in Canada have been downsized. Digitalist Group focuses on its core businesses in the European markets, especially in Sweden and Finland. This is expected to improve the company's cost structure.
- The company's related party loans were restructured after the end of the financial period to strengthen shareholders' equity. Note 28 describes this arrangement in more detail.

Impairment testing

The Group tests goodwill for impairment at least annually 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

Tangible 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 describes intangible assets in more detail, and note 15 describes tangible assets.

Accounts receivable

Impairment provisions for trade receivables are based on historical data on realised credit losses and an estimate of potential future credit losses.

Share-based payments

Management discretion was used to assess recoverable options when calculating share-based payments.

NEW AND AMENDED STANDARDS APPLIED IN THE MOST RECENT FINANCIAL PERIOD

Digitalist Group has applied the IASB's new standards, amendments and interpretations (IAS 1, IAS 8 and IAS 12) which apply for the first time in reporting periods beginning on 1 January 2023. The new and amended standards and interpretations did not have a significant impact on the Group's earnings, financial position or financial statements. In the Group's assessment, the amended standards that will take effect in 2024 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. The Group has a controlling interest if, by taking part in a company, it is exposed to fluctuating returns or is entitled to such fluctuating returns and it is able to influence these returns by exercising its control over the company.

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, unrealised profits, and internal profit distribution are eliminated when preparing the consolidated financial statements.

The distribution of the profit or loss for the period to the owners of the parent company and non-controlling interests is presented in the income statement. The distribution of comprehensive income to the shareholders of the parent company and non-controlling interests is presented in connection with the statement of comprehensive income. The shareholders' equity attributable to non-controlling interests is presented in the consolidated balance sheet as a separate item under shareholders' 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 subsidiaries 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 business operations in Canada were downsized in 2023.

The net sales 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.

2023 EUR thousand	Income	Non-current assets	Non-current liabilities
Europe	16,641	6,813	3,749
of which Finland	6,449	6,421	3,511
of which Sweden	10,191	248	73
North America	40	1	0
Other countries			
Group total	**16,681**	**6,814**	**3,749**

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**

3. Businesses operations acquired and sold

CHANGES IN THE GROUP STRUCTURE

2023 financial period
Businesses operations acquired

In the 2023 financial period, Digitalist Group made two acquisitions, one in Finland and one in Sweden.

Walker & Handson Oy, Finland	share transaction (100%)	23 February 2023
Open Communications AB, Sweden	cash and share transaction (100%)	4 July 2023

The acquisitions were executed as share transactions and as a combination of cash and share transactions. No additional transaction price liabilities remain outstanding for the acquisitions. The assets and liabilities of the acquired companies mainly consist of working capital items and separately identified assets related to client relationships. Separately identified customer relationships have a useful life of 3 years. The company is not aware of any need to change the allocation of transaction prices.

2023 EUR thousand	Walker & Handson Oy	Open Communications AB
Acquisition cost	900	898
Assets	54	382
Customer relationships	290	172
Liabilities	52	196
Net assets	**292**	**358**
Goodwill	608	540

On 23 February 2023, Digitalist Finland Ltd acquired all the shares in Walker & Handson Oy ("W&H") in a stock swap with a directed share issue to W&H, issuing a number of new Digitalist Finland Ltd shares equivalent to approximately 10% of all Digitalist Finland Ltd shares after the arrangement. Most of the calculated transaction price of EUR 0.9 million is goodwill, which is recognised in the consolidated balance sheet. W&H is an emerging Finnish CX design company. The arrangement will strengthen Digitalist Finland Ltd's management and business performance under Jussi Hermunen's leadership. It also brings the growing number of potential W&H clients to Digitalist Finland Ltd. The arrangement is expected to significantly improve Digitalist Finland Ltd's growth potential in Finland. W&H merged with Digitalist Finland Ltd on 31 December 2023.

On 4 July 2023, Digitalist Group acquired the share capital of Open Communications International AB ("OC"), which is based in Sweden. Digitalist Group acquired 70% of OC's share capital by paying SEK 2.5 million in cash and the remaining 30% of OC's share capital with a share issue of up to 11,007,709 new shares in Digitalist Group directed to David Gray's holding company. In addition, Digitalist Group acquired the remaining 30% of OC's share capital by transferring shares in its wholly-owned subsidiary Grow AB to the sellers. The total transaction price was SEK 10.6 million. Following the transaction, the sellers gained a 10% minority shareholding in Grow AB. Open Communications AB is a branding, strategy and communications expert company that is based in Sweden and operates internationally. The arrangement will strengthen the Group's expert services in branding, strategy and communications.

Divested businesses

In 2023, the entire share capital of FutureLab & Partners AB (Sweden) was sold to Turret Oy, a related party of the company.

FutureLab & Partners AB, Sweden	cash transaction (100%)	4 July 2023

2023 EUR thousand	FutureLab & Partners AB
Sale price	1,200
Assets	321
Liabilities	176
Allocated goodwill	425
Capital gain	630

2022 financial period
Businesses operations acquired and sold

No business operations were acquired or sold in the 2022 financial period.

4. Turnover

TURNOVER AND RECOGNITION PRINCIPLES

The Group's business focuses on consulting services related to digital solutions, combining brand strategy, the user experience, service design and technology that favours open source solutions. Some of the Group's turnover is earned in support services and SaaS.

Turnover is recorded in the amount that the Group expects to be entitled to and 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.

The company recognises a sale as income when it transfers control over the service to the client. Recognition occurs over time when the client receives and uses the service as the Group provides it. The revenue recognition date and invoicing date may differ. The company recognises contractual amortisation when the turnover is recognised before invoicing and, correspondingly, a contract liability when the revenue is recognised after invoicing.

SaaS agreements from the company's products are recognised over the contractual period.

The Group's business consists mainly of individual client agreements, which are often relatively short-term. 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. Project work and running costs are typically invoiced monthly according to the realised quantities.

Some of the Group's business consists of fixed-price deliveries. Fixed-price client deliveries carry risks related to timing and content. The company endeavours to manage these risks through contractual and project management measures. The degree of completion is determined for every project according to 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 typical payment term is 14–30 days from the invoice date. The company's client agreements contain no significant financing components.

The company's sales to one key client amounted to EUR 1.9 million in the financial period, accounting for 11% of the company's total sales.

EUR thousand	2023	2022
Turnover service revenues	16,681	18,563
Trade receivables	3,055	3,360

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. Notes 18 and 25b present 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 (2022: 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 on a systematic basis in the financial periods in which the expenses that the grants are intended to cover are recognised. Note 14 also provides information on government grants.

EUR thousand	2023	2022
Administration fee charges	11	108
Businesses sold*	630	0
Debts forgiven	255	0
Government grants**	0	54
Other items	111	117
Total	**1,007**	**279**

* *Note 3 provides further information.*

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

The Group did not receive any public grants for product development projects in the two most recent financial periods.

6. Materials and services

EUR thousand	2023	2022
Materials	−448	−474
Services	−2,754	−3,781
Total	**−3,202**	**−4,256**

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 option rights are exercised, the assets obtained from share subscriptions are adjusted for transaction costs and recognised in the invested unrestricted equity fund in accordance with the terms of the scheme. Note 19 provides further information on share-based payments.

EUR thousand	2023	2022
Salaries and bonuses of the CEO and the Board of Directors	−340	−332
Options (CEO and Board of Directors)	−35	−30
Salaries and bonuses (excl. CEO and Board of Directors)	−8,887	−9,877
Options	−141	−210
Total	**−9,403**	**−10,449**
Pension expenses – defined contribution schemes	−1,198	−1,361
Other personnel expenses	−1,668	−1,891
Personnel expenses in the income statement	**−12,269**	**−13,701**

Related-party transactions: note 27.

8. Personnel

Average number of employees	2023	2022
Experts	122	136
Administrative and sales personnel	17	23
Total	**139**	**159**
of whom working abroad	84	100

Personnel at the end of the financial period	2023	2022
Experts	110	132
Administrative and sales personnel	16	18
Total	**126**	**150**
of whom working abroad	74	90

9. Depreciation and impairment

EUR thousand	2022	2021
Depreciation		
Depreciation of intangible assets acquired in business combinations	−146	−702
Depreciation of intangible rights and assets	−11	−35
Depreciation of right-of-use assets	−640	−704
Depreciation of tangible fixed assets	−38	−47
Impairment		
Goodwill		
Right-of-use assets		−155
Total depreciation and impairment	**−834**	**−1,643**

An impairment charge on the sublease agreement of Digitalist UK Ltd was allocated to right-of-use assets in the comparison period.

10. Other operating expenses

EUR thousand	2023	2022
Personnel-related expenses	−238	−347
Office charges	−336	−325
IT hardware and maintenance costs	−636	−777
Travel expenses	−166	−148
Marketing and sales promotion	−172	−240
Auditing, accounting, consulting and legal services	−893	−933
Credit losses	−113	−19
Other operating expenses	−524	−881
Total	**−3,078**	**−3,670**

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

AUDITOR'S FEES

EUR thousand	2023	2022
KPMG companies		
Auditing fees	−138	−124
Other statutory assignments	−9	
Total	**−147**	**−116**

11. Financial income and expenses

The financial items include EUR 0.3 million in financial income based on an agreement with Business Finland to forgive a product development loan.

EUR thousand	2023	2022
Exchange rate gains	260	119
Interest income on loans and other receivables	16	39
Gains on the disposal of investments	0	227
Other financial income	476	0
Total financial income	**752**	**385**
Interest expenses from liabilities recognised at amortised cost	−2,094	−1,691
Changes in the values of interest rate derivatives	0	1
Exchange rate losses	−445	−350
Interest on lease liabilities	−12	−16
Other financial expenses	−476	−350
Total financial expenses	**−3,026**	**−2,404**
Total financial income and expenses	**−2,274**	**−2,019**

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. Income taxes are recognised through profit or loss unless they are related to other comprehensive income or to items recognised directly in shareholders' equity. In such cases, the income tax is also recognised in these items.

Deferred taxes are recognised for temporary differences between the book values and taxable values of assets and liabilities on the balance sheet date, unused tax losses and unused tax rebates. 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.

INCOME TAXES IN THE INCOME STATEMENT

EUR thousand	2023	2022
Taxes for the financial period	−108	−137
Tax for the previous financial year	0	0
Deferred taxes	−7	142
Total	**−115**	**6**

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

EUR thousand	2023	2022
Profit before taxes	**−3,969**	**−6,448**
Tax calculated at the Finnish corporate tax rate (20%)	794	1,290
Other non-deductible/tax-exempt items	−1,498	−243
Tax for the previous financial year	0	0
Different tax rates of foreign subsidiaries	130	22
Unrecognised deferred tax asset for losses	462	−1,055
Others	−4	−8
Group taxes	**−115**	**6**

DEFERRED TAX ASSETS AND LIABILITIES

Breakdown of deferred tax liabilities 2023*

EUR thousand	01 January 2023	Recognised in the income statement	Translation differences	Businesses sold	31 December 2023
Recognition of intangible assets at fair value	17	30	1	34	82
Total	**17**	**30**	**1**	**34**	**82**

Breakdown of deferred tax liabilities 2022

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

** The deferred tax liability of assets recognised from leases under IFRS 16 amounted to EUR 174 thousand on 31 December 2023 (EUR 227 thousand).*

Confirmed tax losses	EUR million
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
expires 2032	3.98
later	4.00
	39.81

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

Breakdown of deferred tax assets 2023*

EUR thousand	01 January 2023	Recognised in the income statement	Translation differences	Acquired transactions	31 December 2023
Other items	37	−37	0	0	0
Total	**37**	**−37**	**0**	**0**	**0**

Breakdown of deferred tax assets 2022

EUR thousand	01 January 2022	Recognised in the income statement	Translation differences	Acquired transactions	31 December 2022
Other items	40	−2	0	0	37
Total	**40**	**−2**	**0**	**0**	**37**

** The deferred tax asset of lease liabilities recognised from leases under IFRS 16 amounted to EUR 174 thousand on 31 December 2023 (EUR 227 thousand).*

13. Earnings per share:

Undiluted earnings per share are calculated by dividing the profit or loss for the financial period attributable to the shareholders of the parent company by the weighted average number of shares in the company in circulation during the financial period, excluding the shares acquired and 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.

	2023	2022
Profit/loss for the financial period attributable to the owners of the parent company (EUR thousand)	−4,042	−6,533
Average number of shares during the financial period adjusted for share issues	679,583,100	654,721,924
Earnings per share (EUR)	−0.01	−0.01
Number of shares diluted by share issues average during the period	1,477,408,217	1,035,979,023
Diluted earnings per share (EUR)	−0.01	−0.01
Impact of adjustments for share issues and dilution	344,779,423	381,257,099

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 times used by the Group

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 and every six months, 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 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 entered under other operating income. 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 2023 or 2022. The Group has no capitalised development expenditure since the divestment of Ticknovate Ltd (31 August 2021).

Intangible assets 2023

EUR thousand	Goodwill	Develop-ment expenditure	Intangible rights	Intangible assets	Other intangible assets	Total
Acquisition cost 1 Jan 2023	17,260	0	8,421	13,697	0	39,378
Increases*	1,148		0	462		1,611
Decreases*	−426					−426
Transfers between balance sheet items						0
Changes in exchange rates	44		0	20		63
Acquisition cost 31 Dec 2023	**18,026**	**0**	**8,421**	**14,179**	**0**	**40,626**
Accumulated depreciation and impairment 1 Jan 2023	−12,582	0	−8,406	−13,601	0	−34,589
Depreciation for the financial period			−7	−150		−157
Accumulated depreciation on decreases and transfers						0
Changes in exchange rates			0	−13		−13
Accumulated depreciation and impairment 31 Dec 2023	**−12,582**	**0**	**−8,413**	**−13,764**	**0**	**−34,759**
Book value 1 Jan 2023	**4,678**	**0**	**14**	**96**	**0**	**4,788**
Book value 31 Dec 2023	**5,444**	**0**	**8**	**415**	**0**	**5,867**

* *Note 3.*

Intangible assets 2022

EUR thousand	Goodwill	Develop-ment expenditure	Intangible rights	Intangible assets	Other intangible assets	Total
Acquisition cost 1 Jan 2022	17,747	148	8,403	14,067	0	40,365
Increases			22			22
Decreases						0
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
Impairment for the financial period						0
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**

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 405 thousand (EUR 83 thousand).

GOODWILL IMPAIRMENT TESTING

Goodwill is recognised as the amount by which the sum of:

– the consideration paid

+ the share of any non-controlling interests in the acquired company, and

+ the fair value on the acquisition date of the previously held interest in the acquired company

exceeds the fair value of identifiable net assets acquired. Goodwill reflects the expected future synergy benefits from acquisitions, among other things. Goodwill is measured at acquisition cost less accumulated impairment. Goodwill is not depreciated.

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

The goodwill is allocated to one cash-flow-generating unit. Impairment testing is carried out at Group level because the Group is considered to be a single cash-flow-generating unit.

At the end of the financial period, the balance sheet contained goodwill amounting to EUR 5.4 million (EUR 4.7 million). The company tested its goodwill in accordance with IAS 36 and its accounting policies twice during the financial period. The company recognised no impairment of goodwill in the most recent financial period. The value in use of tested assets exceeded the tested amount by EUR 2.3 million.

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 assumptions based on the discretion of the senior management. Cash flow forecasts are based on the Group's current business structure and the management's best estimates of future sales, cost development, market conditions and applicable tax rates. Future business growth is based on management estimates.

In the testing conducted on 31 December 2023, the cash flow forecasting period consisted of the forecast for the period from 2024 to 2028. During the 2024–2028 forecasting period, average growth of 11 per cent is expected, along with market growth in the Group's business sectors and the spread of digitalisation to an increasing share of business life. The efficiency measures and strategic recruitment carried out in 2022 and 2023 provide a solid basis for growth. The calculation is sensitive to changes. EBITDA is projected to rise to 8% in 2026 and end the forecasting period at 11%, with an average of 7%.

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 11.4% (11.0%).

A significantly negative change in any individual assumption used in the calculations could necessitate an impairment charge on goodwill. The sensitivity analysis indicates that an impairment charge may be necessary if the average growth in turnover is below 9% in the forecasting period and the fixed cost structure does not change. If the EBITDA falls below 6% in the forecasting period or the WACC surpasses 16%, impairment charges may become necessary.

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

EUR thousand	Digitalist Group	Total
Goodwill 1 Jan 2023	4,678	4,678
Translation differences	44	44
Other changes	723	723
Goodwill 31 Dec 2023	**5,444**	**5,444**
Goodwill 1 Jan 2022	5,165	5,165
Translation differences	−488	−488
Goodwill 31 Dec 2022	**4,678**	**4,678**

Principal assumptions used for goodwill testing	2023	2022
Length of the forecasting period	5	4
Average annual increase in turnover	11%	13%
Growth factor for cash flows after the forecasting period	2.35%	2.35%
Discount rate	11.4%	11.0%
EBITDA (%)	6.8%	5.7%

15. Property, plant and equipment

PROPERTY, PLANT AND EQUIPMENT

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 artworks included in property, plant and equipment are presented as non-depreciable tangible assets.

DEPRECIATION TIMES USED BY THE GROUP

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

Property, plant and equipment in 2023

EUR thousand	Machinery and equipment	Tangible assets not subject to depreciation	Other investments	Total
Acquisition cost 1 Jan 2023	11,806	25	102	11,933
Increases	24		0	24
Depreciation and transfers	-2		-96	-98
Changes in exchange rates	-1			-1
Acquisition cost 31 Dec 2023	**11,826**	**25**	**6**	**11,858**
Accumulated depreciation and impairment 1 Jan 2023	-11,767	0	0	-11,767
Depreciation for the financial period	-25	-13		-38
Accumulated depreciation on decreases and transfers				0
Changes in exchange rates	1	0		1
Accumulated depreciation and impairment 31 Dec 2023	**-11,790**	**-13**	**0**	**-11,803**
Book value 1 Jan 2023	**40**	**25**	**102**	**167**
Book value 31 Dec 2023	**37**	**12**	**6**	**56**

Tangible fixed assets 2022

EUR thousand	Machinery and equipment	Tangible assets not subject to depreciation	Other investments	Total
Acquisition cost 1 Jan 2022	11,818	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**	**25**	**102**	**11,933**
Accumulated depreciation and impairment 1 Jan 2022	-11,745	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**	**-11,767**
Book value 1 Jan 2022	**73**	**27**	**2**	**102**
Book value 31 Dec 2022	**40**	**25**	**102**	**168**

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 interest 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.

An agreement is considered to be a lease or to include a lease if it confers the right to control the use of an identified asset for a fixed period in return for payment. Leases are recognised as right-of-use assets and lease liabilities. Right-of-use asset items are recognised in the balance sheet at the amount corresponding to the lease liability, advances paid, and direct cost of the lease. Right-of-use asset items are later measured at acquisition cost less accumulated depreciation and impairment. They are adjusted for certain items resulting from the revaluation of the lease liability. Depreciation related to the assets of leases and interest expenses relating to leases are recognised in the income statement.

Some of the Group's subsidiaries act as lessors, for example, subleasing office space 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 lease income from these activities is recognised on a straight-line basis over the lease period. The amount of subletting income is not significant for the Group.

DEPRECIATION TIMES USED BY THE GROUP

Offices acquired under lease agreements	2–5 years

ITEMS PRESENTED IN THE INCOME STATEMENT AND CASH FLOW STATEMENT FOR TANGIBLE ASSETS ACQUIRED UNDER LEASES

EUR thousand		2023	2022
Income statement			
Income from subleasing right-of-use assets (included under "Other operating income")		86	12
Lease expenses on short-term lease agreements (included under "Other operating expenses")		–108	–94
Depreciation of right-of-use assets (included under "Depreciation and impairment")	Offices	–640	–704
	Total depreciation	–640	–704
Interest expense on lease liabilities (included under "Financial expenses")		–12	–16
Cash flow statement			
Total outgoing cash flow from leases		–698	–902
Total incoming cash flow from leases		86	12
Lease liabilities			
Note 21 provides a breakdown of the lease liabilities into short-term and long-term leases		973	1,283

TANGIBLE ASSETS ACQUIRED UNDER LEASES 2023

EUR thousand	Offices	Total
Acquisition cost 1 Jan 2023	3,612	3,612
Increases	417	417
Depreciation and transfers	−454	−454
Changes in exchange rates	25	25
Acquisition cost 31 Dec 2023	**3,599**	**3,599**
Accumulated depreciation and impairment 1 Jan 2023	−2,476	−2,476
Depreciation for the financial period	−640	−640
Impairment	0	0
Accumulated depreciation on decreases and transfers	415	415
Changes in exchange rates	−31	−31
Accumulated depreciation and impairment 31 Dec 2023	**−2,732**	**−2,732**
Book value 1 Jan 2023	**1,135**	**1,135**
Book value 31 Dec 2023	**867**	**867**

TANGIBLE ASSETS ACQUIRED ON LEASE 2022

EUR thousand	Offices	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 on right-of-use asset items is allocated to the sublease agreement of Digitalist UK Ltd.*

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. Unlisted equities are measured at acquisition cost in the absence of a reliable fair value. 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 discount rate is based on the company's weighted average cost of capital, which reflects the market's estimate of the time value of money and the risk inherent in the company's business. 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. Trade and other receivables belong in this category.

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".

CASH AND CASH EQUIVALENTS VALUED AT AMORTISED COST

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

FINANCIAL ASSETS

EUR thousand	**2023**	**2022**
Financial assets valued at amortised cost		
Other investments	6	102
Trade and other receivables	3,736	3,979
Cash and cash equivalents	893	899
Financial assets recognised at fair value through profit or loss		
Loan receivables	24	1,208
Total	**4660**	**6,187**

18. Trade and other receivables

Current receivables	**2023**	**2022**
Trade receivables	3,055	3,360
Other receivables	681	619
Total	**3,736**	**3,979**
Other receivables	**2023**	**2022**
Other receivables	157	162
Prepayments and accrued income	525	457
Total	**681**	**619**

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

In order to reduce the rate of turnover of trade receivables, the Group sells some of its trade receivables from Finnish clients. Trade receivables worth EUR 3.2 million (EUR 3.1 million) were sold during the financial period.

19. Shareholders' equity

TREASURY SHARES

The parent company has one class of shares. Each share entitles its holder to one vote at the General Meeting. The shares have no voting restrictions. The company's shares have no nominal value. All the shares confer an equal right to dividends and other distributions of the company's assets. Digitalist Group Plc has a total of 7,664,943 treasury shares. The amount paid for the treasury shares has been recognised as a deduction in unrestricted shareholders' equity.

THE FOLLOWING SECTION DESCRIBES THE SHAREHOLDERS' EQUITY FUNDS

Share capital

This consists of the common stock 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 unrestricted 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 recognised 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 provision for translation differences includes accumulated translation differences, which arise when the financial statements of foreign units are converted into euros.

Retained earnings

Retained earnings are the accumulated assets from previous financial periods that are not transferred to shareholders' equity reserves or distributed to the owners.

CHANGES IN THE NUMBER OF SHARES AND CONSOLIDATED SHAREHOLDERS' EQUITY

	Number of shares	Share capital (EUR thousand)	Share premium fund (EUR thousand)	Invested unrestricted equity fund (EUR thousand)	Total (EUR thousand)
01 January 2023	682,422,746	585	219	73,663	74,467
Changes *	11,007,709			254	254
31 December 2023	**693,430,455**	**585**	**219**	**73,917**	**74,721**

	Number of shares	Share capital (EUR)	Share premium fund (EUR)	Invested unrestricted equity fund (EUR)	Total (EUR)
01 January 2022	651,022,746	585	219	72,972	73,775
Changes	31,400,000			691	691
31 December 2022	**682,422,746**	**585**	**219**	**73,663**	**74,466**

** As part of the OC acquisition, a total of 11,007,709 new shares were allocated on 4 July 2023 based on the Board of Directors' authorisation. Note 3 provides further information on the changes.*

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 2023 financial period.

On 31 December 2023, the parent company had distributable assets of EUR –17,675,655.07.

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 fair value of the incentive scheme on the grant date was EUR 0.9 million, and this sum will be recognised as an expense according to IFRS 2 from 2021 to 2025. A total of EUR 0.2 million of the expenditure item will be allocated to 2023. 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 and conditions of the option scheme are on the company's website at https://investor.digitalistgroup.com/fi/investor/shares/option-schemes.

The theoretical fair value of the incentive scheme on the grant date was approximately EUR 25 thousand, and this sum will be recognised as expense items of equal amounts from 2019 to 2022. EUR 0 of the expense item is recognised for 2023. 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 2019A2 series were granted. These options enable the subscription of a maximum of 3,580,500 new shares in the company in accordance with the conditions of the option scheme.

KEY ASSUMPTIONS USED TO DETERMINE THE FAIR VALUE OF OPTIONS

Stock Option Program	**2019A1**	**2019A2**	**2021A1**	**2021A2**
Grant date	27 August 2019	27 August 2019	13 April 2021	13 April 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 December 2023	31 December 2023	31 December 2024	31 December 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
Changes in 2023				
Granted options	0	0	0	0
Lapsed options	1,139,250	1,139,250	9,050,000	9,050,000
Number of options 31 Dec 2023	651,000	651,000	10,175,000	10,175,000
Options available for execution at the end of the period	0	0	0	0
Volatility	76%	76%	49%	49%
Dividend yield	0%	0%	0%	0%
Share price 31 Dec 2022	0.02	0.02	0.02	0.02
Share price 31 Dec 2023	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 transactions with owners. The difference between the consideration paid for shares purchased from non-controlling interests and the book value of the acquired proportion of net assets of the subsidiary is recognised in shareholders' equity. Correspondingly, the capital gain or loss on the disposal of holdings to non-controlling interests is recognised directly in shareholders' equity.

In 2023, the Group consisted of six companies with non-controlling interests: Digitalist Finland Ltd (10%), LeanLab Oy (15%), Digitalist Open Tech AB (30%), Digitalist Open Tech Oy (44%), Digitalist Open Tech Latvia, SIA (44%) and Grow AB (10%).

SHARE ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

EUR thousand	2023	2022
1 January	503	506
Transfers between equity items	0	0
Changes *	–508	–96
Translation difference	–5	3
Share of profit/loss for the period	–43	90
31 December	**–53**	**503**

* *See note 3 for information on changes.*

21. Non-current liabilities

EUR thousand	Other loans	Convertible bond loans	Deferred tax liabilities	Lease liabilities	Total
Non-current liabilities 1 Jan 2023	19,124	5,768	17	703	25,612
Change in the financial period	–15,715	–5,768	65	–444	–21,863
Non-current liabilities 31 Dec 2023	**3,409**	**0**	**82**	**259**	**3,749**

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**

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

22. Financial liabilities

FINANCIAL LIABILITIES

The Group's financial liabilities are classified as follows: financial liabilities measured at fair value through profit or loss and financial liabilities measured at amortised cost. Financial liabilities are originally booked at fair value based on the consideration received. Transaction costs are included in the original book value of a financial liability measured at amortised cost.

Financial liabilities recognised at amortised cost

Following initial recognition, all financial liabilities except 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 categorises interest rate swap contracts as measured 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 discount rate is based on the company's weighted average cost of capital, which reflects the market's estimate of the time value of money and the risk inherent in the company's business. 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	2023	2022
Financial liabilities valued at amortised cost		
Accounts payable and other liabilities	8,333	7,669
Loans	35,747	35,302
Total	**44,079**	**42,971**

NON-CURRENT FINANCIAL LIABILITIES

EUR thousand	2023	2022
Convertible bond loan from related parties		5,768
Loans from financial institutions	2,659	2,337
Capital loans from related parties		16,787
Other non-current loans from related parties	750	
Lease liabilities	258	702
Non-current financial liabilities	**3,667**	**25,594**

CURRENT FINANCIAL LIABILITIES

EUR thousand	2023	2022
Convertible bond loan	5,768	
Loans from financial institutions	8,732	8,626
Capital loans from related parties	16,865	
Other non-current loans from related parties		500
Lease liabilities	715	581
Current financial liabilities	**32,080**	**9,707**

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 provides related party information.

Notes 25 and 28 provide further information on related-party loans.

Repayment programme according to the loan agreements for interest-bearing loans on 31 December 2023 (does not include IFRS 16 lease liabilities or overdraft facilities of EUR 8.5 million, which are included in current loans from financial institutions).

Total loans 31 Dec 2023	26,249
Repayments 2024	22,840
Repayments 2025	3,018
Repayments 2026	196
Repayments 2027	196

The average interest on interest-bearing loans in the financial period was 6.1% (5.1%). Note 26 presents the obligations and collateral associated with the loans.

Changes in interest-bearing liabilities during the financial period (EUR thousand)	**2023**
Interest-bearing liabilities 1 Jan 2023	35,302
Monetary changes in interest-bearing liabilities in the financial period	678
Non-monetary changes	
Valuation of the convertible bond loan	78
Change in IFRS 16 lease liability	–311
Offsetting of convertible bonds and interest as capital loans	
Capitalisation of interest accrued on convertible bond loans	
Offsetting of convertible bonds and interest as capital loans	
Increase in the capital loan	
Offsetting of other loans and interest as capital loans	
Capitalisation of interest accrued on other loans	
Offsetting of other loans and accumulated interest as capital loans	
Increase in the capital loan	
Interest-bearing liabilities 31 Dec 2023	**35,747**

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 capital loans	
Capitalisation of interest accrued on convertible bond loans	259
Offsetting of convertible bonds and interest as capital loans	–4,804
Increase in the capital loan	4,804
Offsetting of other loans and interest as capital loans	
Capitalisation of interest accrued on other loans	22
Offsetting of other loans and accumulated interest as capital loans	–1,222
Increase in the capital loan	1,222
Interest-bearing liabilities 31 Dec 2022	**35,302**

23. Accounts payable and other current liabilities

CURRENT LIABILITIES

EUR thousand	**2023**	**2022**
Accounts payable	864	1,373
Tax liabilities		–5
Loans from financial institutions	8,732	8,626
Capital loans from related parties	16,865	
Other loans		500
Lease liabilities	715	581
Convertible bonds	5,768	0
Other liabilities	1,604	1,679
Accrued expenses and deferred income	5,864	4,623
Total	**40,412**	**17,376**

OTHER LIABILITIES

EUR thousand	2023	2022
Withholding tax liabilities	234	227
Social security contribution liabilities	393	307
VAT liabilities	447	634
Other liabilities	531	511
Other liabilities, total	**1,604**	**1,679**

ACCRUED EXPENSES AND DEFERRED INCOME

EUR thousand	2023	2022
Accrued employee expenses	963	1,240
Interest accruals	4,204	2,485
Other accrued expenses and deferred income	697	898
Total accrued expenses and deferred income	**5,864**	**4,623**

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. The fair value is the price that would be received for the sale of an asset or paid for the transfer of a liability in an ordinary transaction between market parties on the measurement date. Fair values are classified at different levels of the fair value hierarchy, describing the significance of the inputs used in valuation methods as follows:

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 other than the quoted prices used on level 1. The data must be observable for the asset or liability, either directly (prices) or indirectly (derived from prices).

Level 3: Fair value is calculated based on input data that is not observable for the asset or liability (unobservable 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	2023	2022
Due within 1 year		
Due within 1–5 years	2,000	2,000
Total	2,000	2,000
Fair value	**18**	**30**

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 THE ACCOUNTS AND FAIR VALUE

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 show the fair values of financial assets and liabilities that are not measured at fair value if the book value is reasonably close to 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 2023						
Financial assets valued at fair value						
Loan receivables	17	24			24	**24**
Total		**24**	**-**	**-**	**24**	**24**
Financial liabilities measured at fair value						
Derivative instruments		18				
Total		**0**	**-**	**0**	**-**	**0**
Financial liabilities not measured at fair value						
Long-term convertible bonds						
Long-term loans from financial institutions		2,659				
Long-term capital loans from related parties						
Other long-term loans from related parties		750			750	**750**
Short-term capital loans from related parties		16,865			16,865	**16,865**
Short-term convertible bond loans		5,768			5,768	**5,768**
Short-term loans from financial institutions		8,732			8,732	**8,732**
Other short-term loans from related parties						
Total		**34,774**	**-**	**-**	**32,115**	**32,115**
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 measured at fair value						
Derivative instruments		0	-	0	-	**0**
Total		**0**	**-**	**0**	**-**	**0**
Financial liabilities not measured 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 capital loans from related parties		16,787	-	-	16,787	**16,787**
Short-term loans from financial institutions		8,626	-	-	8,626	**8,626**
Short-term capital loans from related parties		500	-	-	500	**500**
Total		**34,018**	-	-	**34,018**	**34,018**

25. Financial risk management

The Group is exposed to several financing risks in its normal course of business. Financial risk management seeks to minimise the adverse impacts of changes in the financial markets on the Group's financial performance. 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 Group's income and cash flow from operations are largely independent of fluctuations in market rates. The Group 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 Group's risk management aims to minimise the adverse effects on the Group companies' earnings due to changes in interest rates. The company implements interest rate risk management using various interest rate instruments for hedging. The Group has an interest rate swap contract applying to a loan of EUR 2.0 million from a financial institution. The interest rate swap contract converts the variable interest rate on this loan to a fixed rate of 0.92 per cent plus a margin.

Loans from financial institutions

On 31 December 2023, the Group had a total of EUR 8.7 million (2022: EUR 8 million) of unhedged, variable-rate loans from financial institutions, consisting of the overdraft facilities available on the balance sheet date in 2023 and variable-rate loans from financial institutions. The average interest rate on loans from financial institutions in 2023 was 5.4 per cent (2022: 3.4 per cent). If the interest rate were to rise by one percentage point, the annual interest expenses on the Group's variable-rate loans from financial institutions would increase by approximately EUR 112 thousand. The realisation of interest rate risks would limit the Group's access to external financing and weaken its financial position.

Related-party loans

On 31 December 2023, the Group had a total of EUR 23.4 million (2022: EUR 23.1 million) in other unhedged loan principal, which consisted mostly of fixed-rate related-party loans. The average interest rate on related-party loans in 2023 was 6.4 per cent (2022: 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 234 thousand. Note 27 presents the related-party loans in more detail.

INTEREST RATE RISK ON LOANS FROM FINANCIAL INSTITUTIONS 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 2023	11,391	5.4	–112
31 December 2022	10,963	3.4	–90
Other loans			
31 December 2023	23,383	6.4	–234
31 December 2022	23,055	6.0	–19

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

The Group 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 0 thousand from 1 January to 31 December 2023 and EUR 30 thousand in the financial period that ended on 31 December 2022. 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 2023 (2022: EUR 20 thousand). The sensitivity analysis did not take into account the impact of taxes.

On 31 December 2023, 31 per cent (2022: 29 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 Group 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 aims to continuously assess and monitor the amount of necessary business financing to ensure that it has sufficient liquid assets to finance its operations and repay maturing loans. Any disruptions in the financial arrangements would weaken Digitalist Group's financial position.

Although efficiency enhancement measures have been taken, the company is still loss-making. At the start of 2023, the company made an agreement with its financing bank to raise its financing limit by EUR 0.7 million. On 31 October 2023, Digitalist Group made an agreement with Turret Oy Ab on a loan of EUR 2.0 million. The company is entitled to withdraw the loan in instalments by 31 December 2024. EUR 0.8 million had been withdrawn by the balance sheet date. Based on the above, the Board of Directors estimates that the company has sufficient funding to cover its running costs for the next 12 months. After the end of the financial year, Digitalist Group has received a confirmation from its main owners regarding rescheduling of the due dates of the convertible loans, and ensuring the Company's capability to meet its payment obligations for a minimum period of 12 months ahead.

The table below illustrates the undiscounted maturity breakdown of the outstanding financial liabilities based on contracts on the balance sheet date.

31 December 2023 EUR thousand	Balance sheet value	Cash flow*	Under 1 year	1–5 years	Over 5 years
Loans from financial institutions	2,866	3,067	341	2,726	0
Overdrafts	8,525	8,525	8,525	0	0
Convertible bonds	5,768	6,850	6,850	0	0
Capital loans from related parties**	16,865	19,265	19,265	0	0
Other related-party liabilities	750	876	0	876	0
Lease liabilities IFRS 16	973	961	701	260	0
Accounts payable	865	865	865	0	0
Total	**36,612**	**40,409**	**36,546**	**3,862**	**0**

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
Capital loans from related parties	16,787	19,202	0	19,202	0
Lease liabilities IFRS 16	500	533	533	0	0
Accounts payable	1,373	1,354	609	745	0
Total	**36,674**	**40,417**	**11,203**	**29,214**	**0**

* *Cash flow includes loan repayments and interest expenses.*

** *Capital loans are classified as short-term according to the maturity date of the loans.*

EUR 8.4 million of the revolving credit facility was in use at the end of the financial period EUR 8.3 million. The company has agreed with its main financier to pay only interest on a loan of EUR 2 million from a financial institution until 30 April 2025. The credit limits are valid for an indefinite period.

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 uses the simplified methodology for credit loss provisions to assess the expected credit losses (ECL) of its trade receivables. Trade receivables are recognised in the balance sheet at the original invoice value less any impairment. An impairment provision is recognised immediately through profit or loss and is based on the expected credit losses on trade receivables. The ECL model is based on information about realised credit losses and an estimate of potential future credit losses.

Age distribution of trade receivables	2023	Impairments	Net 2023
Not overdue	2,342		2,342
1–30 days overdue	537		537
31–60 days overdue	24	−1	23
61–90 days overdue	77	−5	71
91–180 days overdue	97	−15	82
Overdue by more than 180 days	92	−92	0
Total	**3,168**	**−112**	**3,055**
Age distribution of trade receivables	**2022**	**Impairments**	**Net 2022**
Not overdue	3,330	0	3,330
1–30 days overdue	26	0	26
31–60 days overdue	4	0	4
61–90 days overdue	0	0	0
91–180 days overdue	1	0	1
Overdue by more than 180 days	0	0	0
Total	**3,360**	**0**	**3,360**

CURRENCY RISK

The parent company's operating currency is the euro. 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 2023 and 2022, the Group had no hedging contracts. The assets and liabilities denominated in foreign currencies and converted into euros at the exchange rates on the last day of the reporting period are as follows:

	2023					2022				
EUR thousand	**CAD**	**GBP**	**SEK**	**USD**	**SGD**	**CAD**	**GBP**	**SEK**	**USD**	**SGD**
Current assets										
Other financial assets	24	35	738	0	0	9	12	783	0	0
Trade and other receivables	4	104	2,392	−4	0	282	93	2,584	0	0
Current liabilities										
Non-interest-bearing liabilities	74	44	2,292	56	0	308	64	2,118	56	0
Open position	**−46**	**96**	**838**	**−60**	**0**	**−17**	**41**	**1,249**	**−56**	**0**

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.

	2023					2022				
EUR thousand	**CAD**	**GBP**	**SEK**	**USD**	**SGD**	**CAD**	**GBP**	**SEK**	**USD**	**SGD**
Impact on earnings before taxes	−2	5	42	−3	0	−1	2	62	−3	0

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 2023 and 31 December 2022 were as follows:

EUR thousand	2023	2022
Interest-bearing liabilities	−35,747	−35,302
Cash and cash equivalents	893	899
Interest-bearing net liabilities	−34,853	−34,403
Total shareholders' equity	−32,717	−30,773
Net gearing as a proportion of shareholders' equity (%)	106.5%	111.8%

26. Provisions, contingent liabilities and conditional debts

Digitalist Group Plc did not recognise any provisions in 2023 or 2022.

On 31 December 2023, the Group had 19 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 20,000,000.

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 all the close relatives of the aforementioned parties and the organisations under their sole or joint control.

- Johan Almquist, through direct share ownership and the company A house at Östermalm AB controlled by him.
- Andreas Rosenlew, through direct share ownership and the companies A house at Östermalm AB and Rosebloom Enterprises AB controlled by him.
- Turret Oy, through direct share ownership (48.55%) and the companies Ticknovate Ltd (UK) and Savox Communications controlled by it.
- Holdix Oy through direct share ownership (23.70%).

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.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

The figures presented below correspond to the expenditure recognised as costs in the financial periods in question. Any fringe benefits are included in the remuneration sums. The pension benefits of key management personnel consist of pensions and voluntary pension plans granted within the scope of the statutory pension arrangements in Finland and Sweden.

The terms of options awarded to key management personnel are the same as for other participants. Note 7 provides further information on the costs of employee benefits.

	CEO*		Board of Directors**		Management Team (excluding the CEO)	
EUR thousand	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Salaries and other short-term benefits	–123	–123	–217	–209	0	–107
Pension benefits (defined contribution plan)***	–30	–30	0	0	0	–31
Share-based payments****	0	0	0	0	0	0
Benefits at the end of employment	0	0	0	0	0	–126
Total salaries and bonuses paid to the related parties	**–153**	**–152**	**–217**	**–209**	**0**	**–264**

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

* *On 31 December 2023, the CEO had a total of 4,301,000 options (2022: 4,301,000). The total fair value of the options is EUR 137 thousand (2022: EUR 137 thousand).*

** *Board of Directors: Chair of the Board since 20 April 2021 Esa Matikainen, Vice Chair of the Board 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.*

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

OTHER REALISED RELATED-PARTY TRANSACTIONS AND OUTSTANDING BALANCES

EUR thousand	31 December 2023	31 December 2022
Business transactions		
Management income		108
Rental income	69	12
Rental expenses	–485	–303
Other operating expenses	–266	–216
Financial expenses	–1,748	–1,696
Divestiture sale price*	1,200	593
Accounts payable waived	255	0
Outstanding balances		
Convertible bond loan	5,768	5,768
Capital loan	16,865	16,787
Related-party loan**	750	500

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

** *Further information is provided 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	31 December 2023	31 December 2022
CEO	3,460,819	3,460,819
Board of Directors*	393,966,545	393,966,545
Management Team	0	0
Total	**397,427,364**	**397,427,364**

* *Turret Oy Ab, a related party, holds 336,637,039 shares, which account for 48.55% of the total*

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

RELATED-PARTY LOANS

Related-party loans on 30 October 2023

On 31 October 2023, Digitalist Group made an agreement with Turret Oy Ab on a loan of EUR 2,000,000. The company is entitled to withdraw the loan in instalments by 31 December 2024. The loan was agreed on market terms, and it matures on 31 December 2025. Turret is Digitalist Group's largest shareholder.

GROUP COMPANIES

Name	Group's holding	Domicile
Digitalist Group Plc	Parent company	Finland, Helsinki
Digitalist Finland Ltd	90%	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 Open Tech AB	70%	Sweden, Stockholm
Grow AB	90%	Sweden, Stockholm
Grow Finland Oy*	100%	Finland, Helsinki
LeanLab Oy	85%	Finland, Helsinki
Digitalist Open Tech Oy	56%	Finland, Helsinki
Digitalist Open Tech Latvia, SIA	56%	Latvia, Riga
Open Communications International AB	100%	Sweden, Stockholm
Walker & Handson Oy**	100%	Finland, Helsinki

* *The dissolution of Grow Finland Oy is still underway.*

** *Digitalist Finland Ltd purchased the entire share capital of Walker & Handson Oy on 23 February 2023. Walker & Handson Oy merged with Digitalist Finland Ltd on 31 December 2023.*

DIVESTITURE TO A RELATED-PARTY COMPANY

Digitalist Group sold its wholly-owned subsidiary FutureLab & Partners AB on 4 July 2023. The equity transaction was executed by selling FutureLab's entire share capital to Turret Oy Ab. Turret is Digitalist Group's largest shareholder. The transaction price was EUR 1.2 million, and it was paid in cash.

CHANGES IN THE GROUP STRUCTURE

On 23 February 2023, Digitalist Group Plc's subsidiary, Digitalist Finland Ltd, acquired the entire share capital of Walker & Handson Oy in a share exchange by directing new shares in Digitalist Finland Ltd to Walker & Handson Oy in an amount equivalent to approximately 10% of all Digitalist Finland Ltd's shares after the share issue. Under the arrangement, W&H's owner, Jussi Hermunen, was appointed CEO of Digitalist Finland Ltd. Walker & Handson Oy merged with Digitalist Finland Ltd on 31 December 2023.

Digitalist Group Plc agreed on a directed share issue at a subscription price of EUR 250,000 to a holding company owned by the CEO of LeanLab Oy on 19 June 2023. Following the share issue, the management gained a 15% minority shareholding in LeanLab Oy.

On 4 July 2023, Digitalist Group acquired the share capital of Open Communications International AB ("OC"), which is based in Sweden. Digitalist Group acquired 70% of OC's share capital by paying SEK 2.5 million in cash and the remaining 30% of OC's share capital with a share issue of up to 11,007,709 new shares in Digitalist Group directed to David Gray's holding company. In addition, Digitalist Group acquired the remaining 30% of OC's share capital by transferring shares in its wholly-owned subsidiary Grow AB to the sellers. The total transaction price was SEK 10.6 million. Following the arrangement, the sellers gained a 10% minority shareholding in Grow AB, and Digitalist Group retained its 90% holding.

Digitalist Group sold its wholly-owned subsidiary FutureLab & Partners AB on 4 July 2023. The equity transaction was executed by selling FutureLab's entire share capital to Turret Oy Ab. The transaction price was EUR 1.2 million.

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

28. Events since the financial period

In order to strengthen the company's shareholders' equity, Digitalist Group decided to use the entitlement offered by Turret Oy Ab ("Turret") and Holdix Oy Ab ("Holdix") to convert a total of EUR 1,907,175.40 of capital and EUR 334,513.29 of interest on the 2021/3 and 2021/4 convertible bonds subscribed by Turret and Holdix into capital loans in accordance with chapter 12 of the Limited Liability Companies Act.

Parent company's income statement

Parent company's income statement (FAS)

EUR	1 January–31 December 2023	1 January–31 December 2022
Other operating income	471,907.74	186,788.83
Personnel expenses		
Salaries and bonuses	−272,243.63	−374,730.90
Social security expenses		
Pension expenses	−7,297.52	−5,958.11
Other indirect personnel costs	−813.14	3,691.28
Total social security expenses	−8,110.66	−2,266.83
Total personnel expenses	−280,354.29	−376,997.73
Depreciation and impairment		
Planned depreciation	−944.04	−26,497.47
Total depreciation and impairment	−944.04	−26,497.47
Other operating expenses	−777,469.87	−1,008,446.59
Total expenses	−1,058,768.20	−1,411,941.79
Operating profit	**−586,860.46**	**−1,225,152.96**
Financial income and expenses		
Interest and financial income		
Income from shares in Group companies	246,663.44	263,760.28
Interest income	412,603.65	429,516.58
Other financial income	549,442.63	30,928.88
Total interest and financial income	1,208,709.72	724,205.74
Interest and other financial expenses		
Interest expenses	−1,121,054.75	−1,756,323.37
Other financial expenses	−561,074.54	−458,614.54
Impairment of fixed asset investments	−3,515,615.19	−2,536,180.64
Total interest and financial expenses	−5,197,744.48	−4,751,118.55
Total financial income and expenses	−3,989,034.76	−4,026,912.81
Profit/loss for the financial period	**−4,575,895.22**	**−5,252,065.77**

Parent company's balance sheet

Parent company balance sheet (FAS)

ASSETS

EUR	1 January–31 December 2023	1 January–31 December 2022
Fixed assets		
Tangible assets		
Machinery and equipment	2,753.63	3,697.67
Other tangible assets	11,477.26	11,477.26
Total tangible assets	14,230.89	15,174.93
Investments		
Shares in Group companies	16,131,565.91	19,369,303.84
Other shares	1,953.19	1,953.19
Total investments	16,133,519.10	19,371,257.03
Total fixed assets	**16,147,749.99**	**19,386,431.96**
Current assets		
Non-current receivables		
Receivables from Group companies	6,218,106.57	5,632,879.58
Loan receivables	0.00	1,369,167.24
Total non-current receivables	6,218,106.57	7,002,046.82
Current receivables		
Trade receivables	1,389.10	12,818.00
Receivables from Group companies	753,266.98	1,477,167.15
Other receivables	34,168.47	53,983.08
Prepayments and accrued income	25,440.19	47,662.37
Total current receivables	814,264.74	1,591,630.60
Cash and cash equivalents		
Cash in hand and at bank	141.54	1,756.91
Total current assets	**7,032,512.85**	**8,595,434.33**
Total assets	**23,180,262.84**	**27,981,866.28**

LIABILITIES AND SHAREHOLDERS' EQUITY

EUR	1 January–31 December 2023	1 January–31 December 2022
Shareholders' equity		
Share capital	585,394.16	585,394.16
Share premium account	218,725.00	218,725.00
Invested unrestricted equity fund	75,376,423.11	75,122,444.10
Retained earnings	−88,476,182.96	−83,224,117.19
Profit/loss for the financial period	−4,575,895.22	−5,252,065.77
Total shareholders' equity	**−16,871,535.91**	**−12,549,619.70**
Liabilities		
Non-current liabilities		
Capital loans	16,904,504.81	16,904,504.81
Other long-term liabilities	750,000.00	0.00
Convertible bond loan	0.00	5,767,938.50
Total non-current liabilities	17,654,504.81	22,672,443.31
Current liabilities		
Convertible bond loan	5,767,938.51	0.00
Loans from financial institutions	8,302,388.96	7,292,664.89
Other loans	0.00	500,000.00
Accounts payable	245,171.25	782,433.70
Liabilities to Group companies	4,864,117.81	6,768,934.05
Other current liabilities	18,868.75	15,662.50
Accrued expenses and deferred income	3,198,808.66	2,499,347.53
Total current liabilities	22,397,293.94	17,859,042.67
Total liabilities	**40,051,798.75**	**40,531,485.98**
Liabilities and shareholders' equity, total	**23,180,262.84**	**27,981,866.28**

Parent company's cash flow statement

EUR	1 January–31 December 2023	1 January–31 December 2022
Cash flow from operations		
Profit/loss for the financial period	–4,575,895.22	–5,252,065.77
Adjustments to cash flow from operations		
Planned depreciation	944.04	26,497.47
Unrealised foreign exchange gains and losses	0.00	–15,432.48
Other income and expenses with no payments	–255,000.00	0.00
Financial income and expenses	3,989,034.76	4,026,912.81
Other adjustments		
Cash flow before change in working capital	–840,916.42	–1,214,087.97
Change in working capital	–1,230,736.77	788,532.03
Interest received from operations	8.48	7.42
Interest paid and other financial expenses from operations	–9,637.37	–8,079.55
Net cash flow from operations	**–2,081,282.08**	**–433,628.07**
Cash flow from investments		
Investments in subsidiary shares	–211,649.17	–2,822,400.00
Intra-Group loans issued	–981,711.00	–803,746.00
Interest income from investments	201,537.52	206,604.52
Dividends from investments	246,663.44	263,760.28
Capital gains from other investments	1,200,000.00	
Repayment of loan receivables	1,385,378.97	711,989.63
Total cash flow from investments	**1,840,219.76**	**–2,443,791.57**
Cash flow before financial items	**–241,062.32**	**–2,877,419.64**
Cash flow from financing activities		
Paid increase in shareholders' equity	0.00	690,800.00
Drawdown of long-term loans	750,000.00	1,909,209.51
Drawdown of short-term loans	1,779,894.79	602,219.53
Repayment of short-term loans	–1,597,668.21	0.00
Interest and other charges for financial expenses	–692,779.63	–325,154.46
Net cash flow from financing	**239,446.95**	**2,877,074.58**
Change in cash and cash equivalents	**–1,615.37**	**–345.06**
Cash and cash equivalents at the beginning of the financial period	1,756.91	2,101.97
Cash and cash equivalents at the end of the financial period	141.54	1,756.91

Accounting principles

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 2023 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.

Notes on the parent company

Other operating income

EUR	2023	2022
Administrative service charges	216,740.00	186,466.25
Other items	167.74	322.58
Debts forgiven	255,000.00	322.58
Total	**471,907.74**	**186,788.83**
Notes concerning the personnel and members of corporate bodies		
Average number of employees of the parent company in the financial period	0	1
Employees of the parent company at the end of the financial period	0	0
Personnel expenses		
Salaries and bonuses	−50,489.15	0.00
Salaries and bonuses of senior managers and the Board of Directors	−221,754.48	−374,730.90
Pension expenses	−7,297.52	−5,958.11
Other personnel expenses	−813.14	3,691.28
Total	**−280,354.29**	**−376,997.73**

Other operating expenses

EUR	2023	2022
Administrative services	−644,956.28	−723,433.86
IT expenses	−7,273.91	−34,797.81
Administrative expenses	−104,574.09	−80,098.39
Others	−20,665.59	−170,116.53
Total	**−777,469.87**	**−1,008,446.59**

Auditor’s fees

EUR	2023	2022
KPMG Oy Ab		
Auditing fees	–76,000.00	–63,698.26
Other statutory assignments	–3,805.00	0.00
Total auditors' fees	**–79,805.00**	**–63,698.26**
Depreciation and impairment		
Planned depreciation		
Depreciation of intangible rights	0.00	–23,790.98
Depreciation of tangible assets	–944.04	–2,706.49
Total	**–944.04**	**–26,497.47**
Financial income and expenses		
Income from shares in Group companies	246,663.44	263,760.28
Interest and financial income		
From Group companies	467,329.04	421,430.93
From others*	494,717.24	39,014.53
Total	**1,208,709.72**	**724,205.74**
Interest and other financial expenses		
To Group companies	–380,206.35	–209,530.38
To others	–1,301,922.94	–2,005,407.53
Impairment of fixed asset investments**	–3,515,615.19	–2,536,180.64
Total	**–5,197,744.48**	**–4,751,118.55**

** Interest and financial income for the 2023 financial period includes a capital gain of EUR 0.48 million from the sale of FutureLab & Partners AB.*

*** An impairment charge of EUR 1.69 million (EUR 2.4 million) was recognised against the acquisition cost of Digitalist Finland Ltd’s shares in the 2023 financial period based on long-term forecasts and calculations. The company has also recognised an impairment charge of EUR 1.4 million against the acquisition cost of Digitalist Canada Ltd’s shares. EUR 0.4 million in receivables from Digitalist Canada Ltd and EUR 0.1 million in receivables from Digitalist UK Ltd have been written down for the financial period.*

Notes on members of corporate bodies

EUR	2023	2022
Salaries and bonuses		
Magnus Leijonborg*		
Board of Directors		
Esa Matikainen (Chair since 20 April 2021)	69,000	64,000
Andreas Rosenlew (Deputy Chair since 20 April 2021)	33,000	34,500
Paul Ehrnrooth	23,000	24,500
Peter Eriksson	33,625	31,750
Maria Olofsson (since 14 April 2020)	34,000	31,500
Johan Almquist (since 20 April 2021)	24,000	23,000
Total salaries and bonuses paid to members of corporate bodies	**216,625**	**209,250**

** The CEO’s salary was paid from Grow AB, which belongs to the same Group, in the two most recent periods. Salaries charged on are presented under “Other operating expenses” (see note 27 to the consolidated financial statements for more details).*

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	2023	2022
Intangible assets		
Other long-term expenditure		
Acquisition cost at the beginning of the financial period	0.00	350,000.00
Acquisition cost at the end of the financial period	**0.00**	**350,000.00**
Accumulated depreciation	0.00	−326,209.02
Depreciation during the financial period	0.00	−23,790.98
Accumulated depreciation at the end of the period	0.00	−350,000.00
Book value at the end of the period	**0.00**	**0.00**
Intangible rights		
Acquisition cost at the beginning of the financial period	0.00	2,124,235.20
Decreases	0.00	−2,124,235.20
Acquisition cost at the end of the financial period	**0.00**	**0.00**
Accumulated depreciation	0.00	−2,124,235.20
Cumulative depreciation from deductions	0.00	2,124,235.20
Accumulated depreciation at the end of the period	0.00	0.00
Book value at the end of the period	**0.00**	**0.00**
Tangible assets		
Machinery and devices		
Acquisition cost at the beginning of the financial period	865,565.55	865,565.55
Acquisition cost at the end of the financial period	865,565.55	865,565.55
Accumulated depreciation	−861,867.88	−859,161.39
Depreciation during the financial period	−944.04	−2,706.49
Accumulated depreciation at the end of the period	−862,811.92	−861,867.88
Acquisition cost at the end of the financial period	**2,753.63**	**3,697.67**
Other tangible assets		
Acquisition cost at the beginning of the financial period	11,477.26	11,477.26
Acquisition cost at the end of the financial period	**11,477.26**	**11,477.26**
Book value at the end of the period	**11,477.26**	**11,477.26**
Investments		
Holdings in Group companies		
Acquisition cost at the beginning of the financial period	19,369,303.84	18,229,843.65
Increases during the period	997,601.30	3,539,460.19
Decrease during the period	−1,149,271.04	0.00
Impairment *	−3,086,068.19	−2,400,000.00
Acquisition cost at the end of the financial period	**16,131,565.91**	**19,369,303.84**
Other shares and participations		
Acquisition cost at the beginning of the financial period	1,953.19	1,953.19
Acquisition cost at the end of the financial period	**1,953.19**	**1,953.19**
Book value at the end of the period	**1,953.19**	**1,953.19**

* *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	90%
Digitalist Open Tech 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	90%
LeanLab Oy	Finland	Helsinki	85%
Open Communications International AB	Sweden	Stockholm	100%

NON-CURRENT RECEIVABLES

Receivables from Group companies	2023	2022
Capital loan receivables	6,218,106.57	5,632,879.58
Receivables from other companies		
Other loan receivables	0.00	1,369,167.24
Total	**6,218,106.57**	**7,002,046.82**

CURRENT RECEIVABLES

Receivables from Group companies	2023	2022
Trade receivables	74,124.90	1,031,496.15
Loan receivables	165,779.29	297,656.28
Prepayments and accrued income	513,362.79	148,014.72
Total	**753,266.98**	**1,477,167.15**
Receivables from other companies		
Trade receivables	1,389.10	12,818.00
Other receivables	34,168.47	53,983.08
Prepayments and accrued income	25,440.19	47,662.37
Total	**60,997.76**	**114,463.45**
Total current receivables	**814,264.74**	**1,591,630.60**

Prepayments, accrued income and other receivables	2023	2022
Deferred charges	25,248.99	47,468.69
Others	191.20	193.68
Total	**25,440.19**	**47,662.37**

Notes to the parent company's balance sheet

LIABILITIES AND SHAREHOLDERS' EQUITY

Non-current liabilities	2023	2022
Liabilities to others		
Capital loans	16,904,504.81	16,904,504.81
Loans from related parties	750,000.00	0.00
Convertible bonds	0.00	5,767,938.50
Total	**17,654,504.81**	**22,672,443.31**
Non-current liabilities	**17,654,504.81**	**22,672,443.31**
Current liabilities		
Liabilities to Group companies		
Accounts payable	177,408.48	218,301.24
Loans and liabilities on Group account	1,331,294.95	4,619,117.50
Other liabilities	3,126,722.03	1,591,964.12
Accrued expenses and deferred income	228,692.35	339,551.19
Total	**4,864,117.81**	**6,768,934.05**
Liabilities to others		
Convertible bonds	5,767,938.51	0.00
Loans from related parties	0.00	500,000.00
Financial liabilities	8,302,388.96	7,292,664.89
Accounts payable	245,171.25	782,433.70
Other current liabilities	18,868.75	15,662.50
Accrued expenses and deferred income	3,198,808.66	2,499,347.53
Total	**17,533,176.13**	**11,090,108.62**
Total current liabilities	**22,397,293.94**	**17,859,042.67**

Accrued expenses and deferred income	2023	2022
Interest accruals	3,189,480.08	2,467,736.00
Salaries and social security expenses	0.00	221.25
Trading deficits	9,328.58	31,390.28
Total	**3,198,808.66**	**2,499,347.53**

GUARANTEES AND CONTINGENT LIABILITIES

Liabilities secured by guarantees	2023	2022
Loans from financial institutions	8,302,388.96	7,292,664.89
Corporate mortgages	9,800,000.00	9,800,000.00
Other loans	23,422,443.32	22,672,443.32
Corporate mortgages	0.00	0.00
Total liabilities	31,724,832.28	29,965,108.21
Total corporate mortgages	**9,800,000.00**	**9,800,000.00**

Securities and guarantees pledged on behalf of Group companies	2023	2022
Other guarantees	9,800,000.00	6,059,322.00

Other liabilities	2023	2022
Interest on capital loans not recognised as an expense	992,647.79	0.00

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

EUR	Share capital	Share premium fund	Invested unrestricted equity fund	Retained earnings	Total
Shareholders' equity, 01 January 2023	585,394.16	218,725.00	75,122,444.10	−88,476,182.96	−12,549,619.70
Share issue	0.00	0.00	253,979.01	0.00	253,979.01
Profit/loss for the financial period				−4,575,895.22	−4,575,895.22
Shareholders' equity, 31 December 2023	**585,394.16**	**218,725.00**	**75,376,423.11**	**−93,052,078.18**	**−16,871,535.91**
Shareholders' equity, 01 January 2022	585,394.16	218,725.00	74,431,644.10	−83,224,117.19	−7,988,353.93
Share issue	0.00	0.00	690,800.00	0.00	690,800.00
Profit/loss for the financial period				−5,252,065.77	−5,252,065.77
Shareholders' equity, 31 December 2022	**585,394.16**	**218,725.00**	**75,122,444.10**	**−88,476,182.96**	**−12,549,619.70**

DISTRIBUTABLE UNRESTRICTED SHAREHOLDERS' EQUITY

	31 December 2023	31 December 2022
Calculation of distributable shareholders' equity		
Invested unrestricted equity fund	75,376,423.11	75,122,444.10
Retained earnings	−88,476,182.96	−83,224,117.19
Profit/loss for the financial period	−4,575,895.22	−5,252,065.77
Distributable unrestricted shareholders' equity	**−17,675,655.07**	**−13,353,738.86**

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

	31 December 2023	31 December 2022
Shareholders' equity 31 Dec	−16,871,535.91	−12,549,619.70
Capital loan	16,904,504.81	16,904,504.81
Shareholders' equity in accordance with chapter 20, section 23 of the Limited Liability Companies Act	**32,968.90**	**4,354,885.11**

Due to the impairment charges recognised in the financial statements, the company's shareholders' equity on the balance sheet date is less than half of its share capital. However, the partial conversion of the 2021/3 and 2021/4 convertible bonds held by Turret Oy Ab and Holdix Oy Ab into capital loans – announced by the company on 22 March 2024 – has strengthened the Company's balance sheet and financial solidity.

NOTES ON THE EQUITY LOAN

The company has EUR 14,973,004.80 in equity loans from its related parties. The loans 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 capital 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 898,380 has accrued on the loan as an unpaid expense. The loan and the related promissory notes whose principal has not been repaid in accordance with the terms of the loan can be exchanged for new shares in the company. The share conversion price is defined as the weighted average price of shares traded on the Nasdaq Ltd Helsinki Stock Exchange over the six (6) months prior to the conversion notification defined in the terms of the convertible bond. In any case, each bond can be converted into a maximum total of 21,684,417 new shares in Digitalist Group Plc.

The company has EUR 1,931,500.00 in equity loans from its related parties. The loan matures 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 capital 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 94,267 has accrued on the loan as an unpaid expense. The loan and the related promissory notes whose principal has not been repaid in accordance with the terms of the loan can be exchanged for new shares in the company (subscription price: EUR 0.015 per share).

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

Helsinki, 28 March 2024

Magnus Leijonborg
CEO

Esa Matikainen
Chair of the Board of Directors

Andreas Rosenlew
Vice Chair of the Board of Directors

Paul Ehrnrooth
Member of the Board of Directors

Peter Eriksson
Member of the Board of Directors

Maria Olofsson
Member of the Board of Directors

Johan Almquist
Member of the Board of Directors

Auditor's note
An auditor's report has today been issued on the audit performed.
Helsinki, 28 March 2024
KPMG Oy
Audit firm

Miika Karkulahti
KHT 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 Plc

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Digitalist Group Plc (business identity code 0997039-6) for the year ended 31 December 2023. 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 material accounting policy information, 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 IFRS Accounting Standards 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 (refer to Accounting policies for the consolidated financial statements and notes 23 and 25 to the consolidated financial statements)	
— Despite the efficiency measures taken, the Group has generated losses in recent years, cash flow from operating activities has been negative and liquidity tight. The Group has carried out arrangements to strengthen its financial position, create a more sustainable cost structure, and secure liquidity. — At 31 December 2023, the Group´s current liabilities totalled EUR 40.4 million. In accordance with note 25, the financial liabilities and accrued interests falling due within the next 12 months totaled EUR 36.5 million, including the overdraft facilities of EUR 8.3 million which continue until further notice and the capital loans with accrued interests, presented under current liabilities, in aggregate EUR 19.3 million. — Negotiations on the arrangements for the convertible bonds maturing in May and June 2024, with accrued interest in total EUR 6.9 million, have started during fall 2023. After the end of the financial year, Digitalist Group has received a confirmation from its main owners regarding rescheduling of the due dates of the loans and ensuring the company´s capability to meet its payments obligations for a minimum period of 12 months ahead. In addition, the Group has reached an agreement 31.10.2023 with the main owner	Our audit procedures included, among others: — To assess the sufficiency of liquidity, we analysed the business plans and cash flow forecasts prepared by the company. — We inspected the financing arrangements carried out during the financial year 2023 and their accounting treatment. Furthermore, we assessed the impacts of the financing arrangements agreed with the main owners. — As part of our year-end audit procedures, we assessed the classification of financial liabilities, and considered the adequacy of the disclosures provided on the financial status in the consolidated financial statements.

a loan amounting to EUR 2.0 million of which approximately EUR 0.8 million had been withdrawn at the balance sheet date.

— The financial statements have been prepared on a going concern basis and the Board of Directors considers that the company has sufficient funding to cover its operating expenses for the next 12 months.

Valuation of goodwill (refer to the consolidated balance sheet, accounting policies for the consolidated financial statements and note 3 and 14 to the consolidated financial statements)

— After the acquisitions and divestment carried out in 2023, goodwill amounted to EUR 5.4 million and other intangible assets mainly consisting of purchase price allocations totaled approximately EUR 0.4 million at December 31, 2023. The goodwill balance represented approximately 48 percent of the consolidated total assets. Consequently, 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 2023 the Group prepared goodwill impairment tests on a biannual basis.

— The future cash flow projections underlying impairment testing require management judgement in regard to sales growth rate, profitability, terminal growth rate and discount rate among others. The valuation of goodwill is highly dependent on the Group´s future financial performance.

— The determination of the intangible assets acquired in a business combination and their useful live requires management judgement and assumptions.

Our audit procedures included, among others:

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

— Our audit procedures on the impairment testing included, among others, the following: We evaluated the cash flow projections for future financial years prepared by management and the key assumptions used in the impairment tests, such as sales growth rate, profitability and terminal growth rate. We also assessed the appropriateness of the amortisation principles of the intangible assets allocated from the business combinations.

— Furthermore, we involved KPMG valuation specialists when analysing 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 amount of the subsidiary shares in the parent company Digitalist Group Plc´s balance sheet amounted to EUR 16.1 million after the impairment of EUR 3.1 million recorded at 31 December 2023. The parent company´s intercompany receivables amounted to EUR 7.0 million and intra-group liabilities EUR 4.9 million at 31 December 2023.
- Management has prepared long-term forecasts and calculations to support the valuation of subsidiary shares. Valuation of the subsidiary shares and intercompany receivables is highly dependent on the Group´s profitability in the future and the business model

Our audit procedures included, among others:

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

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 3.1 million at 31 December 2023 constitute a significant single balance sheet item. Regardless of the fact that there are no significant credit losses incurred in the past, trade receivables may be subject to valuation risk.

Our audit procedures included, among others:

- We evaluated monitoring routines for trade receivables and tested the effectiveness of the key internal controls. We also analysed trade receivables and followed up the payments after year-end 2023 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 IFRS Accounting Standards 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 10 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, 28 March 2024

KPMG OY AB

MIIKA KARKULAHTI
Authorized Public Accountant, KHT