

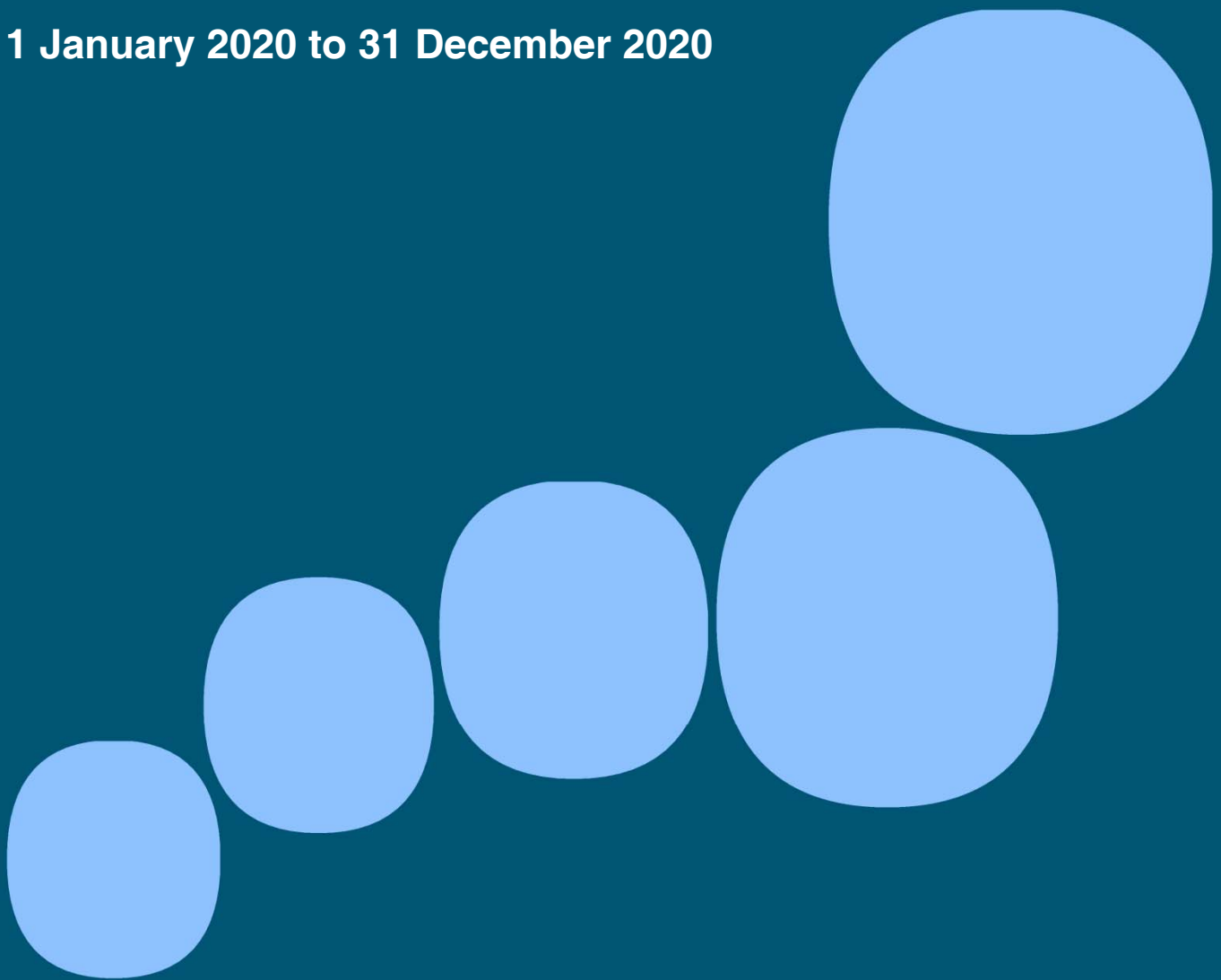
# Digitalist Group



digitalist-global

# Financial statements

1 January 2020 to 31 December 2020







DIGITALIST GROUP PLC  
Arkadiankatu 2, 00100 Helsinki, Finland

Reg. no. 611.522  
Business ID: 0997039-6

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## Report of the board of directors for 1 January 2020–31 December 2020

### Summary of the financial period

2020 financial period (comparable figures for 2019 in parentheses):

- Net sales: EUR 20.5 million (EUR 27.4 million), decrease: 25.2%.
- EBITDA: EUR -2.0 million (EUR -3.7 million), -9.9% of turnover (-13.6%).
- EBIT\*: EUR -9.1 million (EUR -14.1 million), -44.2% of turnover (-51.4%).
- Net income\*: EUR -11.9 million (EUR -14.7 million), -58.1% of turnover (-53.5%).
- Earnings per share (diluted and undiluted): EUR -0.02 (EUR -0.02).
- Cash flow from operations: EUR -1.3 million (EUR -4.8 million).
- Number of employees at the end of the review period: 182 (246), decrease of 26.0%.

\* EBIT and net income for the review period include a goodwill impairment charge of EUR -3.7 million (EUR -7.0 million).

### Business

Digitalist Group is a creative technology company that combines brand, design and technology expertise in a unique way. We aim to help our customers to provide our target group with first-class customer experiences. In line with our vision, an excellent user experience requires seamless collaboration between branding, design and technology, and Digitalist stands out in the market as an expert in this field.

We aim to expand internationally and profitably by designing new concepts, services and technology solutions for digitalising industries. Our innovative services offer Digitalist Group a competitive advantage in markets where companies have increasingly identified a positive customer experience as a key source of competitive advantage. Digitalist Group's largest clients include Finning, Honda, Volvo, Spotify, Posti, Electrolux, TetraPak, the City of Helsinki and Fennia.

Our branding service improves our clients' marketing and customer experience. These activities are based on identifying trends and changing customer needs and implementing ideas derived from these discoveries in order to enhance our clients' businesses and value. We have a deep understanding of the changes and opportunities presented by digitalisation, and we work with our clients to create new concepts to ensure their continued success.

Our design services include digital, mobile and web design, as well as service and industrial design. The services range from design strategy and user research to visual and interaction design, encompassing workshops, prototyping and usability research. This enables us to

ensure that the end result is as intended down to the smallest detail and provides our clients with a significant competitive advantage.

In technology services, we have robust expertise in developing creative software solutions with respect to hardware, embedded systems and software. We use open, standardised technologies (such as Java, Linux, Android, iOS and .NET) as a starting point, and we also partner with selected technology principals (such as IBM and Salesforce). This enables us to combine technology expertise with world-class design, in-depth user interface and usability design, and top-class project management.

Our own software solutions include Ticknovate, a cloud-based software product for selling and booking tickets, and LeanLab, a platform for building understanding and enabling collaborative development with customers and personnel.

The Group's head office is in Helsinki. In addition to its base in Finland, the company has studios and significant business activities in Sweden (Stockholm), Canada (Vancouver) and the UK (London). We bring together the expertise we need from our studios in different countries for each client project.

### Year 2020

Improving profitability and enhancing our operating models were the key objectives for 2020. The onset of the global COVID-19 pandemic in the spring led to rapid efficiency improvement measures, and the entire personnel was included in cooperation negotiations. As a result of the cooperation negotiations, Digitalist Group's personnel were laid off in a staggered manner. Some personnel had a reduced number of working hours, and many rapid adjustments were made due to the changes in the market conditions while ensuring the delivery of customer projects.

The COVID-19 pandemic had a particular impact on customer accounts in the travel and tourism sector, causing business uncertainty. The efficiency improvement measures resulted in reduced capacity, which led to a decrease in net sales compared to 2019. Despite the decrease in net sales, profitability improved toward the end of the year thanks to the measures that were taken as the Group concluded its substantial cost-saving programmes. The effects of these are expected to improve the Group's profitability in the future.

Digitalist Group's business outlook improved in the final quarter of the year. We are building new operating methods in many of our customer relationships, including by creating added value in our customers' innovation processes and redesigning the digital customer experience during the pandemic. The Group has invested in its key customers in line with its strategy, and this is expected to have a positive impact on sales trends.

The Group's financial position remained tight during the 2020 financial period. However, the Group's liquidity has improved due to successful negotiations concerning repayment times in various units and the COVID-19 aid received by the Group. The company also restructured its financing during the review period by extending the payment period for loans from related parties and transforming them into convertible bonds and by extending the repayment periods of loans from



financial institutions. In addition, the two corporate transactions executed in the second half of the year improved the company's liquidity.

In the second half of the year, Digitalist Group executed two corporate transactions that contributed to our focus on the core competences of different business units, thereby improving the company's profitability and scalability. In the third quarter, we completed a transaction that transferred Digitalist UK Limited's business and personnel associated with the Ticknovate™ cloud-based tick sales and booking software product to Ticknovate Limited. A sharper focus on the further development of Ticknovate, combined with the sectoral expertise provided by the investor, ABC Leisure investments Ltd, has enabled scaling and international growth. In a transaction executed in December, Digitalist Group sold a minority stake (totalling 30 per cent) of Digitalist Sweden AB to its executive management. The aim of this transaction was to accelerate Digitalist Group's growth in Sweden and the other Nordic countries and strengthen the service in open-source environments and selected customer segments.

Improving profitability and enhancing operating models will also be key objectives for 2021. In 2021, Digitalist Group will be readier than ever to respond to the rapidly changing needs of its clients as the customer experience increasingly becomes a strategic asset for companies. Thanks to its top-class expertise and solutions, Digitalist Group is in an excellent position to respond to this transformation.

During the year under review, Digitalist Group employed an average of 208 experts representing over 30 different nationalities in four different countries. Digitalist's values – people-orientation and equal opportunity, collaboration, continuous learning and client success – were realised effectively over the past year amid new operating methods and virtual meetings. We have created new ways of working together from remote offices, innovating seamlessly on numerous interesting projects with our customers, all without forgetting our values.

## General meeting of 14 April 2020 and Board of Directors' authorisations

Digitalist Group Plc's Annual General Meeting, which was held on 14 April 2020, adopted the financial statements for the financial year that ended on 31 December 2019 and discharged the members of the Board of Directors and the CEO from liability for the financial period that ended on 31 December 2019. As proposed by the Board of Directors, the Annual General Meeting decided not to pay a dividend for 2019.

The Annual General Meeting decided that the number of Board members would be five. Paul Ehrnrooth, Andreas Rosenlew, Esa Matikainen, Peter Eriksson and Maria Olofsson were elected to 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. The company has had no committees since the general meeting on 14 April 2020.

KPMG Oy Ab, a firm of auditors, was elected as the company's auditor. The auditing entity has appointed Esa Kailiala, Authorised Public Accountant, as the principal auditor. The decision was taken to pay the auditor's fee in accordance with a reasonable invoice.

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 on the basis of the authorisation may not exceed 325,511,370, which corresponded to 50 per cent of all the shares in the company when the notice of the Annual General Meeting was published. 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 is entitled 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 in part.

Shares and special rights entitling their holders to shares may also be issued in a directed issue in deviation from the shareholders' preemptive 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 2021 Annual General Meeting or 30 June 2021, whichever is first.

## Authorisation of the Board of Directors to decide on the acquisition of treasury shares

The Annual General Meeting authorised the Board of Directors to decide on the purchase or distress of a maximum of 65,102,000 treasury shares using the company's distributable assets. The maximum number of shares corresponded to approximately 10 per cent of all the shares in the company when the notice of the Annual General Meeting was published. 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 2021 Annual General Meeting or 30 June 2021, whichever is first.

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

The offices are located in our main markets in Finland, Sweden, Canada and the United Kingdom. Every office has local technology and design experts and a local sales organisation.

## Segments

Digitalist Group reports its business in a single segment.

## Turnover

The Group's net sales for the period totalled EUR 20.5 million (EUR 27.4 million), which is 25.2% less than in the previous year. The decrease in net sales was partly due to the impact of COVID-19 on client projects. The efficiency measures implemented during the review period and the comparison period reduced the Group's capacity substantially. Net sales outside Finland accounted for a significant proportion of the total in the review period at 74% (74%).

## Earnings

Earnings before interest, taxes, depreciation and amortisation (EBITDA) were EUR -2.0 million (EUR -3.7 million). The improvement in EBITDA was partly due to the rapid reaction to the COVID-19 outbreak in the spring and the subsequent efficiency measures, which helped to enhance profitability. The improvement also includes a one-sum in compensation recognised under other operating income. Net earnings for the financial period amounted to EUR -11.9 million (EUR -14.7 million), earnings per share totalled EUR -0.02 (EUR -0.02) and cash flow from operating activities per share was EUR -0.00 (EUR -0.01). The net earnings for the financial period and the comparison period were impacted by a goodwill impairment charge of EUR 3.7 million (EUR -7.0 million).

## Return on equity

The Group's shareholders' equity was EUR -16.7 million (EUR -8.3 million), of which EUR 1.3 million (EUR 0.0 million) is attributable to minority interests. Return on equity (ROE) was negative. Return on investment (ROI) was -75.9 (-69.4) per cent.

## Investments

Investments during the financial period totalled EUR 0.6 million (EUR 1.8 million). The investments in the financial period are mainly related to the procurement of systems. No development expenses were capitalised in the financial period. At the end of the review period, research and development expenses capitalised on the balance sheet totalled EUR 0.7 million (EUR 1.4 million). The capitalised research and development expenses are related to the development of the Ticknovate product. A research and development grant of EUR 0.3 million was received in the 2020 financial period.

## Balance sheet and financing

The decrease in the balance sheet total was mainly due to the goodwill impairment charge of EUR -3.7 million (EUR -7.0 million), as well as decreases in right-of-use assets and the related liabilities, and it was EUR 19.6 million (EUR 26.3 million). Shareholders' equity amounted to EUR -16.7 million (EUR -8.3 million). The solvency ratio was -84.9% (-31.7%). At the end of the period, the Group's liquid assets totalled EUR 1.0 million (EUR 0.8 million).

The negative change in the company's shareholders' equity was partly due to the operating loss, which was affected by a goodwill impairment charge of EUR 3.7 million (EUR 7.0 million).

At the end of the financial period, the Group's balance sheet recognised EUR 8.9 million (EUR 8.7 million) in loans from financial institutions, including the overdrafts in use.

In addition, the company has loans from its main owners. On 31 December 2020, the Group's interest-bearing liabilities amounted to EUR 28.1 million (EUR 26.8 million), of which related-party loans amounted to EUR 17.9 million (EUR 14.8 million). The loan agreements made with related-party companies during the financial period are in the section of the review entitled related-party transactions.

## Cash flow

The Group's cash flow from operating activities during the review period was EUR -1.3 million (EUR -4.8 million), a change of EUR 4.2 million. The cash flow was negatively affected by the operating loss and positively affected by the COVID-19 payment arrangements and minority-interest transactions.

In order to reduce the rate of turnover of trade receivables, the Group sells some of its trade receivables from Finnish customers. Trade receivables worth EUR 4.7 million (EUR 6.2 million) were sold during the financial period.

## Goodwill

31 December 2020, the consolidated balance sheet, there was EUR 7.5 million (EUR 10.9 million) of goodwill in the balance sheet following an impairment charge of EUR 3.7 million, which



was recognised during the financial period on 30 June 2020. The company conducted an IAS 36 impairment test on its goodwill to reflect the status on 31 December 2020, and the test did not find any need for impairment charges.

## Personnel

The average number of employees in the last quarter was 183 (256). The average number of employees during the financial period was 208 (261), and the Group had 182 (246) employees at the end of the period. At the end of the financial period, 69 (91) of the Group's personnel were employed by the Finnish companies, and 113 (155) were employed in the Group's foreign companies. During the financial period, the number of personnel decreased by 64, mainly due to the cooperation negotiations conducted within the Group.

## Shares and share capital

### Trading volume and price

During the financial period, the company's share price hit a high of EUR 0.05 (EUR 0.08) and a low of EUR 0.03 (EUR 0.04), and the closing price on 31 December 2020 was EUR 0.04 (EUR 0.05). The average share price in the financial period was EUR 0.03 (EUR 0.05). During the financial period, 61,748,234 (483,610,063) shares were traded, corresponding to 9.5 (74.3) per cent of the number of shares in circulation at the end of the period. The average share turnover during the financial period was 245,033 (1,934,440). Market capitalisation at the closing share price on 31 December 2020 was EUR 23,436,819 (EUR 29,296,024).

### Share capital

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

### 2019 option programme

During the financial period, Digitalist Group Plc had an option programme in effect for 2019, and the maximum number of new shares in the company to be subscribed is 3,580,000. Descriptions of the option programmes are on the company's website at <https://digitalist.global>

### Shareholders

The number of shareholders on 31 December 2020 was 4,309 (4,073). Private individuals owned 8.79 (8.75) per cent of the

shares, and institutions held 90.76 (91.25) per cent. Foreign nationals or entities held 0.45 (0.01) per cent of the shares. Nominee-registered shares accounted for 3.36 (4.52) per cent of the total.

## Related-party transactions

### Financing arrangements with related parties

On 24 January 2020, Digitalist Group Plc agreed on a short-term loan of EUR 1,000,000 with Holdix Oy Ab.

The loan was agreed on market terms, and the maturity was set at 13 March 2020.

### Convertible bonds 12 March 2020

On 12 March 2020, Digitalist Group Plc agreed on a financing arrangement of approximately EUR 9.2 million with Turret Oy Ab and Holdix Oy Ab whereby the company's short-term liabilities to Turret and Holdix were converted into long-term convertible bonds amounting to approximately EUR 8.2 million. In addition to the debt conversion, Turret will pay EUR 1.0 million in cash to the company as the price of subscription of the convertible bonds in accordance with the terms and conditions.

As part of the Arrangement, Turret's receivables of approximately EUR 1.375 million from the company's subsidiaries Digitalist Sweden AB and Grow AB became the liabilities of Digitalist Group. The Arrangement also includes an agreement between the company, Turret and Holdix on the alteration of the terms of Digitalist Group's Convertible Loan of 31 May 2018 such that the interest payable on the bond principal as of 12 March 2020 was postponed for payment in a single instalment at the maturity of each bond on 31 December 2021.

The company announced the details of its convertible bonds on 12 March 2020.

## Changes in the Group structure

On 22 July 2020, the Company announced the incorporation of the Ticnovate business, a joint venture ABC Leisure investments Ltd to develop Digitalist's Ticnovate business. On 21 July 2020, Digitalist UK Limited sold shares in Ticknovate Limited to ABC Leisure investments Ltd for a cash value of EUR 0.3 million, and ABC Leisure Investments Ltd also subscribed for new shares in Ticknovate Limited under a directed share issue valued at EUR 0.5 million. Following the above measures, ABC Leisure Investments Ltd holds 35 per cent of the shares and votes in Ticknovate Limited, and Digitalist UK Limited holds the remaining 65 per cent.

On 17 December 2020, Digitalist Group Plc sold 30 per cent of the share capital of Digitalist Sweden AB to holding companies owned by three members of Digitalist Sweden AB's management, 10 per cent to each buyer. The transaction price of the shares totalled approximately EUR 1,587,000, of which the buyers paid approximately EUR 314,000 in cash (EUR 99,000–EUR 116,000



per buyer). The buyers are in debt to the company for the remainder of the transaction price.

## Events since the financial period

On 25 January 2021, the Annual General Meeting of Digitalist Group Plc decided to issue options on the basis of the authorisation granted on 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.

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 company's Board of Directors stated that the undistributed options from the 2019 option scheme have lapsed. A total of 3,580,000 options were issued under the 2019A1 and 2019A2 series of the company's 2019 option scheme, and these options will enable up to 3,580,000 new shares in the company to be subscribed, subject to the terms of the option scheme.

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

## 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://investor.digitalistgroup.com/fi/investor/>

The company has been making a loss despite the efficiency measures it has taken. However, the efficiency measures taken in 2019 and 2020 have created a more sustainable cost structure. 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.

When COVID-19 developed into a pandemic in early 2020, the restrictive measures taken to prevent the spread of the disease affected the businesses of the company's customers, thereby reducing the number of projects with some customers and the number of orders. This is reflected in the development of net sales.

The company is currently dependant on external financing, most of which has been obtained from related-party companies and financial institutions. Digitalist Group's ability to finance its operations and

reduce the amount of its debt depends on several factors, such as the cash flow from operations and the availability of debt and equity financing, and there is no certainty that such financing will be available in the future. Similarly, there can be no certainty that Digitalist Group will be able to obtain additional debt or refinance its current debt on acceptable terms, if at all. In early 2020, the company rearranged its short-term loans with both the main owner and a financial institution.

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

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

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

A significant proportion of the Group's net sales is invoiced in currencies other than the euro. The risk associated with changes in exchange rates is managed in various ways, including net positioning and currency hedging contracts. No hedging contracts were used in the 2019 and 2020 reporting periods. The Group has a subsidiary in England. The impact of Brexit on the subsidiary's business has been assessed and is estimated to be limited.

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.

## 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 29 March 2021. 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 2020 and 2019. The operating profit was EUR -3.9 million (EUR -1.5 million). Earnings for the financial period were EUR -11.1 million (EUR -17.5 million). The earnings for the period were affected by an impairment charge of EUR 6.5 million (EUR 15 million) on subsidiary shares.

The balance sheet total was EUR 34.5 million (EUR 40.7 million). Shareholders' equity amounted to EUR 6.1 million (EUR 17.4 million). The solvency ratio was 17.7% (43.1%). At the end of the period, the parent company's liquid assets totalled EUR 0.06 million (EUR 0.05 million).

The average number of employees during the financial period was 2 (3), and the Group had 2 (2) employees at the end of the period. Salaries and bonuses amounted to EUR 0.7 million (EUR 1.0 million), pension expenses were EUR 0.1 million (EUR 0.1 million), and other personnel add-on costs were EUR 0.0 million (EUR 0.0 million). Personnel expenses totalled EUR 0.8 million (EUR 1.2 million), which is approximately 17.7 per cent of the operating expenses (37.7%).

Cash flow from operating activities in the financial period amounted to EUR -2.1 million (EUR -6.9 million).

## Future prospects

In 2021, net sales and EBITDA are expected to develop positively in comparison with 2020

## 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 2020 financial period. On 31 December 2020, the parent company had distributable assets of EUR 5,295,235.39.

Digitalist Group Plc's Annual General Meeting will be held in Helsinki on Tuesday 20 April 2021.



## Key indicators for the group

	IFRS 1 Jan–31 Dec 2020	IFRS 1 Jan–31 Dec 2019	IFRS 1 Jan–31 Dec 2018	IFRS 1 Jan–31 Dec 2017	IFRS 1 Jan–31 Dec 2016
Net sales (EUR thousand)	20,487	27,401	24,737	20,000	15,256
Net sales (% change)	-25.2%	10.8%	23.7%	31.1%	-10.3%
EBITDA (* (EUR thousand)	-2,021	-3,716	-4,845	-3,985	-7,231
% of net sales	-9.9%	-13.6%	-19.6%	-19.9%	-47.4%
Operating profit/loss (EUR thousand)	-9,059	-14,087	-6,432	-4,899	-7,736
% of net sales	-44.2%	-51.4%	-26.0%	-24.5%	-50.7%
Profit/loss before taxes (EUR thousand)	-12,057	-14,998	-7,063	-7,173	-9,547
% of net sales	-59%	-54.7%	-28.6%	-35.9%	-62.6%
Balance sheet total (EUR thousand)	19,645	26,280	32,222	25,027	16,095
Return on equity (%) (*	neg.	neg.	neg.	neg.	neg.
Return on capital employed (%) (*	-75.9%	-69.4%	-28.3%	-36.5%	-70.1%
Interest-bearing liabilities (EUR thousand)	28,075	26,866	16,299	11,483	12,525
Financial assets, cash and cash equivalents (EUR thousand)	1,008	787	314	1,366	422
Net gearing (*	-162.2%	-313.4%	227.2%	184.8%	-288.0%
Equity ratio (*	-84.9%	-31.7%	21.8%	21.9%	-26.1%
Investments (EUR thousand)	596	1,847	7,363	7,035	657
% of net sales	2.91%	6.7%	29.8%	35.2%	4.3%
Average number of personnel	208	261	258	203	188
Number of personnel at the end of the financial period	182	246	270	240	174

## Key indicators per share

	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
Earnings per share (EUR), diluted (EUR) and (**	-0.02	-0.02	-0.01	-0.02	-0.03
Earnings per share (EUR), undiluted (EUR) (**	-0.02	-0.02	-0.01	-0.02	-0.03
Price-to-earnings ratio (**	neg.	neg.	neg.	neg.	neg.
Closing price (EUR)	0.04	0.05	0.05	0.07	0.10
Average number of shares adjusted for share issues (**	651,022,746	651,022,746	609,376,504	384,459,880	353,564,898
Number of shares at the end of the financial period	651,022,746	651,022,746	651,022,746	553,824,346	353,564,898
Average number of shares adjusted for the dilution effect (**	651,022,746	651,022,746	609,376,504	384,459,880	454,281,622
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)	-0.03	-0.01	0.01	0.01	-0.01

\*) Digitalist Group presents alternative key indicators to supplement its consolidated financial statements, which are prepared in accordance with IFRS standards.

The purpose of these indicators is to measure growth and describe the financial performance of the company's operations. The Group has applied the European Securities and Markets Authority (ESMA) guidelines on alternative performance measures, which took effect on 3 July 2016.

\*\*) The number of shares and the key indicators per share were affected by the acquisitions of Interquest Oy and NodeOne AB in 2017 and Grow Group in 2018, as well as the conversion of the convertible bond loan and directed share issues.



## Return on equity (%)

	2020	2019	2018	2017
Profit before taxes	-12,057	-14,998	-7,063	-7,173
Financial expenses	-3,219	-1,994	-1,364	-2,555
Balance sheet total Q4 2017				25,027
Balance sheet total Q4 2018			32,222	
Balance sheet total Q4 2019		26,280		
Balance sheet total Q4 2020	19,645			
Non-interest-bearing liabilities Q4 2017				8,071
Non-interest-bearing liabilities Q4 2018			8,911	
Non-interest-bearing liabilities Q4 2019		7,735		
Non-interest-bearing liabilities Q4 2020	8,256			
<b>Return on equity (%)</b>	<b>-75.9%</b>	<b>-69.4%</b>	<b>-28.3%</b>	<b>-36.5%</b>

## Principles for calculating the key indicators

<b>EBITDA =</b>	Earnings before interest, taxes and depreciation	
<b>Return on equity =</b>	$\frac{\text{Profit/loss for the financial period}}{\text{Shareholders' equity (average over the year)}} \times 100$	x 100
<b>Return on capital employed =</b>	$\frac{(\text{Profit before taxes} + \text{financial expenses})}{\text{Balance sheet total} - \text{non-interest-bearing liabilities (average over the year)}} \times 100$	x 100
<b>Equity ratio (%) =</b>	$\frac{\text{Total shareholders' equity}}{\text{Balance sheet total} - \text{advances received}} \times 100$	x 100
<b>Net gearing =</b>	$\frac{\text{Interest-bearing liabilities} - \text{liquid assets}}{\text{Total shareholders' equity}}$	
<b>Diluted earnings per share =</b>	Profit/loss for the financial period attributable to the owners of the parent company Average number of shares over the year, adjusted for dilution and share issues	
<b>Shareholders' equity per share =</b>	$\frac{\text{Parent company's shareholders' equity}}{\text{Number of shares on the balance sheet date}}$	
<b>Dividend yield</b>	$\frac{\text{Dividend paid for the financial period}}{\text{Profit/loss for the financial period}}$	
<b>Price-to-earnings ratio =</b>	$\frac{\text{Share price at the end of the financial period}}{\text{Diluted earnings per share}}$	
<b>Effective dividend yield =</b>	$\frac{\text{Dividend per share}}{\text{Share price at the end of the financial period}} \times 100$	x 100
<b>Dilution effect =</b>	Number of shares of the company plus the number of options allocated – Number of treasury shares to be obtained at the option subscription price, priced at the volume-weighted average price for the period	



## Information on shares, shareholders and options

### Shares

#### Share capital and shares

Digitalist Group Plc's share capital was EUR 585,394.16 on 31 December 2020.

The total number of shares in the company was 651,022,746 on 31 December 2020.

#### Stock exchange quotations

Digitalist Group Oyj is listed on Nasdaq OMX Helsinki.

The company has one class of shares: DIGIGR.

	2020	2019	
Subscription price of shares on flotation 1 October 1999	5.75	5.75	EUR
Highest quotation for shares during the financial period	0.05	0.08	EUR
Lowest quotation for shares during the financial period	0.03	0.04	EUR
Share price 31 Dec	0.04	0.05	EUR
Market capitalisation 31 Dec	23,436,819	29,296,024	EUR
Share trading volume 1 Jan – 31 Dec	61,748,234	483,610,063	shares
Total trading volume in euros	2,026,636	24,130,742	EUR
Average price 1 Jan – 31 Dec (*)	0.03	0.05	EUR
Share trading volume (% of the total number of shares) 31 Dec (*)	9.5%	74.3%	
Weighted number of shares adjusted for the share issue 31 Dec	651,022,746	651,022,746	shares
Number of shares adjusted for the dilution effect 31 Dec	651,022,746	651,022,746	shares
Number of shares 31 Dec	651,022,746	651,022,746	shares

## Information on shares, shareholders and options

### Ownership of shares

	Number of shares	Proportion of shares (%)	Number of holders
Individuals	57,191,267	8.78%	3,935
Institutions	571,932,563	87.85%	138
<b>Total</b>	<b>651,022,746</b>	<b>100.00%</b>	<b>4,073</b>

#### Institutional holdings

Companies	398,991,607	61.29%
Financial and insurance institutions	171,422,838	26.33%
Public corporations	1,514,478	0.23%
Non-profit organisations	502	0.00%
Foreign countries	3,138	0.00%
<b>Total</b>	<b>571,932,563</b>	<b>87.85%</b>
of which nominee-registered shares	21,898,916	3.36%



## Largest shareholders

	Number of shares	Proportion of shares (%)
Turret Oy Ab	305,237,039	46.89%
Holdix Oy Ab	164,358,406	25.25%
Rosebloom Ventures Ab	44,427,665	6.82%
Elmtwig Holding Ab	12,901,841	1.98%
Digitalist Group Plc	7,664,943	1.18%
Niclas Engvall Ab	5,402,363	0.83%
Rome Advisors Oy	4,971,709	0.76%
Nordea Bank Abp	4,585,763	0.70%
Österlund Jori Ville Ferdinand	4,549,962	0.70%
Elsa Victorin Ab	4,508,421	0.69%
Idl Studio Ab	3,034,444	0.47%
Liselotte Tingvall Holding Ab	3,034,444	0.47%
Ritanen Eero Juhani	3,000,000	0.46%
Sjöblom Katri Pauliina	2,771,376	0.43%
Karisma-Invest Oy	2,588,557	0.40%
Hämäläinen Kari Heikki Kristian	1,700,000	0.26%
Fennia Life Insurance Company Ltd	1,671,931	0.26%
Elo Mutual Pension Insurance Company	1,514,478	0.23%
4capes Oy	1,500,000	0.23%
Rapeli Marko Teo Mikael	1,367,895	0.21%
Others	70,231,509	10.79%
<b>Total</b>	<b>651,022,746</b>	<b>100.00%</b>

## Distribution of ownership

	Shares	Proportion of shares (%)	Shares	Proportion of shares (%)
1–100 shares	718	16.66%	32,560	0.01%
101–1,000 shares	1,300	30.17%	688,481	0.11%
1,001–10,000 shares	1,589	36.88%	6,735,515	1.03%
10,001–100,000 shares	597	13.85%	18,179,635	2.79%
100,001–1,000,000 shares	77	1.79%	18,549,606	2.85%
Over 1,000,000 shares	28	0.65%	606,836,949	93.21%
<b>Total</b>	<b>4,309</b>	<b>100.00%</b>	<b>651,022,746</b>	<b>100.00%</b>

## Management shareholdings and options

	Holding 2020	Number of votes (%)	Holding 2019
Shares owned by the CEO and members of the Board of Directors	349,664,704	53.71%	354,636,413
Options held by the CEO and members of the Board of Directors	1,627,500	0.25%	1,627,500

**Consolidated income statement (IFRS)**

EUR thousand	Note	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019
<b>Turnover</b>	2.4	<b>20,487</b>	<b>27,401</b>
Other operating income	5	1,823	111
Materials and services	6	-3,110	-3,826
Expenses from employee benefits	7	-16,589	-21,145
Depreciation	9	-3,337	-3,371
Impairment of goodwill	9.13	-3,700	-7,000
Other operating expenses	10	-4,633	-6,257
<b>Total expenses</b>		<b>-31,369</b>	<b>-41,599</b>
<b>Operating profit</b>		<b>-9,059</b>	<b>-14,087</b>
Financial income		221	1,083
Financial expenses		-3,219	-1,994
<b>Total financial income and expenses</b>	11	<b>-2,998</b>	<b>-911</b>
<b>Profit before taxes</b>		<b>-12,057</b>	<b>-14,998</b>
Income taxes	12	163	336
<b>Profit/loss for the financial period</b>		<b>-11,893</b>	<b>-14,662</b>

**Distribution**

Owners of the parent company		-11,820	-14,662
Non-controlling interests		-73	0
Undiluted earnings per share (EUR)	25	-0.02	-0.02
Undiluted number of shares 31 Dec	25	651,022,746	651,022,746
Diluted earnings per share (EUR)	25	-0.02	-0.02
Number of shares adjusted for share issues and dilution effect 31 Dec	25	651,022,746	651,022,746

**Consolidated statement of comprehensive income (IFRS)**

EUR thousand	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019
<b>Profit/loss for the financial period</b>	<b>-11,893</b>	<b>-14,662</b>
Other items of comprehensive income		
Translation difference	1,496	-541
<b>Total comprehensive income for the financial period</b>	<b>-10,397</b>	<b>-15,203</b>
Comprehensive income distribution for the financial period:		
Owners of the parent company	-10,339	-15,203
Non-controlling interests	-58	0

**Consolidated balance sheet (IFRS)**

EUR thousand	Note	31 Dec 2020	31 Dec 2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	13	7,485	10,934
Other intangible assets	13	2,741	4,903
Tangible assets	14	1,113	3,050
Other investments	14	3	2
Long-term loan receivables	24	1,085	
Deferred tax asset	15	41	
<b>Total non-current assets</b>		<b>12,469</b>	<b>18,889</b>
<b>Current assets</b>			
Trade receivables	4.16	5,387	5,437
Other receivables	16	781	1,167
Cash and cash equivalents	17	1,008	787
<b>Total current assets</b>		<b>7,176</b>	<b>7,391</b>
<b>Total assets</b>		<b>19,645</b>	<b>26,280</b>

EUR thousand	Note	31 Dec 2020	31 Dec 2019
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Parent company's shareholders' equity			
Share capital	18	585	585
Share premium account	18	219	219
Invested non-restricted equity fund	18	72,971	73,185
Retained earnings		-79,830	-67,648
Profit for the financial period		-11,893	-14,662
Total shareholders' equity attributable to the parent company's owners		-17,948	-8,321
Total shareholders' equity attributable to non-controlling interests		1,262	
<b>Total shareholders' equity</b>		<b>-16,686</b>	<b>-8,321</b>
<b>Non-current liabilities</b>			
Financial liabilities	21	12,042	12,851
Deferred tax liabilities	15.20	471	672
<b>Total non-current liabilities</b>		<b>12,513</b>	<b>13,523</b>
<b>Current liabilities</b>			
Accounts payable	22	1,524	2,176
Financial liabilities	20,21,22	16,033	14,015
Tax liabilities based on the taxable income for the period	22	0	59
Other liabilities	22	6,261	4,828
<b>Total current liabilities</b>		<b>23,818</b>	<b>21,078</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>19,645</b>	<b>26,280</b>



## Consolidated cash flow statement

EUR thousand	Note	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019
<b>Cash flow from operations</b>			
Earnings before taxes in the period		-12,057	-14,998
Adjustments to cash flow from operations			
Other income and expenses with no payment transactions		649	
Depreciation and impairment	9	7,037	10,371
Unrealised foreign exchange gains and losses		-1,397	
Other adjustments		581	-489
Financial income and expenses	11	2,998	911
Cash flow financing before changes in working capital, interest and taxes		<b>-2,189</b>	<b>-4,205</b>
Change in working capital	23	661	-593
Interest received	11	10	0
Interest paid	11	-9	-3
Taxes paid	12	220	-17
<b>Net cash flow from operations</b>		<b>-1,305</b>	<b>-4,818</b>
<b>Cash flow from investments</b>			
Acquisition of subsidiaries net of cash acquired	3		
Investments in tangible and intangible assets	13.14	-248	
Investment grants received		333	-1,045
Sales of financial assets recognised at fair value through profit or loss		0	0
<b>Net cash flow from investments</b>		<b>85</b>	<b>-1,045</b>
<b>Cash flow before financial items</b>		<b>-1,220</b>	<b>-5,864</b>
<b>Cash flow from financing activities</b>			
Purchase of treasury shares		-215	
Transactions with non-controlling interests		1,096	
Drawdown of long-term loans	20.21	1,000	392
Repayment of long-term loans	20.21	-53	0
Drawdown of short-term loans	21	1,286	7,502
Repayment of short-term loans	21		-33
Costs of acquiring equity			
Payments received for share subscriptions			
Interest and other charges for financial expenses		-409	
Repayment of lease liabilities		-1,266	-1,525
<b>Net cash flow from financing</b>		<b>1,441</b>	<b>6,336</b>
<b>Change in cash and cash equivalents</b>		<b>221</b>	<b>473</b>
Cash and cash equivalents at the beginning of the financial period	17	787	314
Cash and cash equivalents at the end of the financial period	17	1,008	787



## Calculation of changes in consolidated shareholders' equity

EUR thousand	Share capital	Share premium fund	Invested un-restricted equity fund	Translation differences	Retained earnings	Total	Share attributable to non-controlling interests	Total shareholders' equity
Shareholders' equity 1 Jan 2019	585	219	73,186	412	-67,375	7,027	0	7,027
Other changes			0		0	0	0	0
Profit/loss for the financial period					-14,662	-14,662		-14,662
Translation difference				-541		-541		-541
<b>Total comprehensive income for the financial period</b>						<b>-15,203</b>		
Transactions with owners								
Share-based remuneration					-145	-145		-145
<b>Shareholders' equity 31 Dec 2019</b>	<b>585</b>	<b>219</b>	<b>73,186</b>	<b>-129</b>	<b>-82,182</b>	<b>-8,321</b>	<b>0</b>	<b>-8,321</b>

EUR thousand	Share capital	Share premium fund	Invested un-restricted equity fund	Translation differences	Retained earnings	Total	Share attributable to non-controlling interests	Total shareholders' equity
Shareholders' equity 1 Jan 2020	585	219	73,186	-129	-82,182	-8,321	0	-8,321
Transfers between equity items				-290	290			
Profit/loss for the financial period					-11,820	-11,820	-73	-11,893
Translation difference				1,481		1,481	15	1,496
<b>Total comprehensive income for the financial period</b>						<b>-10,339</b>		
Purchase of treasury shares			-214			-214		-214
Transactions with owners								
Share-based remuneration					25	25		25
Transactions with non-controlling interests					901	901	1,320	2,221
<b>Shareholders' equity 31 Dec 2020</b>	<b>585</b>	<b>219</b>	<b>72,972</b>	<b>1,062</b>	<b>-92,786</b>	<b>-17,948</b>	<b>1,262</b>	<b>-16,686</b>



## 1. Accounting principles behind the consolidated financial statements

### Basic information about the Group

Digitalist Group Plc 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 the NASDAQ OMX Helsinki stock exchange since 1999.

Copies of the consolidated financial statements are available on the company's website at [www.digitalist.global](http://www.digitalist.global) or at the parent company's office at Pohjoisesplanadi 35 Aa, Helsinki, Finland.

Digitalist Group is a creative technology company. The company seeks, designs, formulates and implements functional user experiences and sustainable software solutions based on internet, cloud or mobile technologies. Our clients are among the leading companies in their sectors around the world. We design comprehensive digital solutions for our clients to enhance their competitiveness and productivity and provide them with added value and customer loyalty.

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

#### Approval by the Board of Directors

The Board of Directors has approved the financial statements for publication on 29 March 2021. 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.

#### Basis of preparation

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 2020, as well as the SIC and IFRIC interpretations. "International standards" refers to the standards and related interpretations approved for application in the EU in compliance with the procedure stipulated in Regulation (EC) 1606/2002, as referred to in the Finnish Accounting Act and subsequent regulations. The notes to the consolidated financial statements also conform to the Finnish accounting and company legislation that supplements the IFRS standards.

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

#### Business continuity

These financial statements were prepared in accordance with the principle of the business as a going concern, taking into account the financial arrangements implemented by the company in the 2020 financial period and the business forecast for 2021. The forecasts take into account the likely or foreseeable changes in future expectations, both in terms of revenue flows and expected expenses.

When the financial statements were published, the company expected its working capital to be sufficient to cover its requirements over the next 12 months based on financing plans underway with the main owner.

### New and amended standards applied in the most recent financial period

Digitalist Group has not yet applied the amended standards already published by the IASB, where such standards are mandatory for financial periods beginning on or after 1 January 2021. The company will adopt each standard and interpretation as of the respective effective date or, if the effective date is other than the first day of the financial year, as of the beginning of the financial year following the effective date. In Digitalist Group's current assessment, the amended standards will not have a significant impact on future financial statements when they are adopted.

### Principles of consolidation

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

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

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

### Changes in the Group structure

In May 2020, Grow Holding AB merged with its subsidiary Grow AB. In June 2020, Ticknovate Ltd was established, and 35 per cent of the company was sold to a minority owner. In December 2020, thirty per cent of the shares of Digitalist Sweden AB were sold to the company's senior management.

Ixonos Hong Kong, Grow Norway AS and Ixonos Singapore Pte Ltd were dissolved in 2019. NodeOne Group AB and Wunderlive AB merged with Digitalist Sweden AB in 2019. Grow Nine AB merged with Grow Ab in 2019.

### Segment Reporting

Digitalist Group reports its business in a single segment.

### Items denominated in foreign currencies

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



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

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

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

### Goodwill

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

Goodwill is allocated to the cash-flow-generating unit, and it is not depreciated. Goodwill is tested for impairment every six months and whenever an occurrence or change in conditions indicates that the recognised value may not be recoverable.

### Other intangible assets

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 and agreements 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.

### 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. Capitalised development expenditure has a useful life of 3–4 years, and the capitalised costs are recognised as expenses via straight-line depreciation.

Development expenditure that has previously been recognised as an expense cannot be capitalised at a later date.

### Tangible fixed assets

Machinery and equipment constitute the majority of the tangible assets. These items are valued in the balance sheet at acquisition cost less accumulated depreciation and any impairment.

Gains or losses arising from the sale or disposal of tangible assets are recognised in the income statement.

### Depreciation methods used by the Group

Intangible assets acquired through business combinations	3–10 years of straight-line depreciation
Intangible rights	3–4 years of straight-line depreciation
Intangible assets created internally	3–4 years of straight-line depreciation
Other tangible assets	3–5 years of straight-line depreciation
Machinery and equipment	3–5 years of straight-line depreciation
Machinery acquired on lease	3–5 years of straight-line depreciation
Intangible assets acquired on lease	3–5 years of straight-line depreciation

### Government grants

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



## 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 quarterly, 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.

## Lease agreements

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

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

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

The Group has adopted IFRS 16 with a modified retrospective approach whereby the comparison data is not adjusted. Instead, the accounting principles for the comparison data in accordance with the previous IAS 17 are as follows: Lease agreements for tangible fixed assets where the Group accrues a material proportion of the risks and rewards of ownership are classified as finance leases and recognised in the balance sheet at the start of the lease period at the fair value of the leased asset or at the present value of the minimum lease payments, whichever is lower. Assets acquired under finance leases are depreciated over the useful life of the asset or the term of the lease, whichever is shorter. Lease payments are dividing apportioned between a financial expense and a reduction in liability over the lease period, so that the interest rate for the outstanding liability remains constant in each financial period. Leases where the lessor retains the risks and rewards of ownership are treated as other lease agreements. The lease payments that must be made on other lease agreements are recognised as equal sums of expenses in the income statement over the term of the lease.

The Group does not act as a lessor.

## Financial assets and liabilities

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

Financial assets are derecognised when the Group has lost the contractual right to receive the cash flows or when it has substantially transferred the risks and rewards of ownership of the asset outside the Group. Note 24 presents the principles for determining the fair values of financial assets and liabilities.

## Financial assets and 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 contracts are presented in the balance sheet under financial assets or liabilities and are acquired for hedging purposes. The company does not apply hedge accounting.

## Financial assets valued at amortised cost

Financial assets where the intention of the business model is to retain the asset until maturity in order to collect the contractual cash flows are recognised at amortised cost in the financial assets category. The cash flows from these items consist solely of capital



and the interest on the outstanding capital. After initial recognition, these items are valued at amortised cost using the effective interest method. They are included in the balance sheet under current and non-current assets. This category includes trade and other receivables and other investments, which include unlisted golf shares.

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

### Cash and cash equivalents

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

### Financial liabilities

Financial liabilities are originally recognised in the accounts at their original value, which corresponds to the amount of consideration received. Transaction costs are included in the original book values of financial liabilities. Financial liabilities, with the exception of derivative liabilities, are subsequently valued at amortised cost using the effective interest rate method. Financial liabilities are included in current and non-current liabilities. Borrowing costs are recognised as interest expenses in the financial period in which they are incurred.

### Pension schemes

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

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

### Share-based payments

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

the schemes on profit and loss is presented in the income statement under expenses incurred from employee benefits.

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

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

### Income taxes

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

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

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

Deferred tax assets are recognised in the amount for which it is likely that taxable income will be generated in the future against which the temporary difference can be utilised.

### Shareholders' equity, dividends and treasury shares

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.

Digitalist Group Plc's treasury shares total 7,664,943. The amount paid for the shares is recognised as a deduction in unrestricted equity.

### Net sales and recognition principles

Net sales are recorded in the amount that the Group expects to be entitled to receive in exchange for providing the promised services to the client, with the exception of amounts collected on behalf of third parties, such as indirect taxes. Discounts are taken into ac-



count when determining the amount of consideration when the sale is booked.

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

The degree of completion is determined for each project by examining the number of working hours done by the review date as a proportion of the estimated total number of hours. If it is likely that the total cost of a project will exceed the total income, the expected loss is recognised immediately as an expense.

### Interest and dividend income

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

### 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.

### Accounting principles requiring management discretion and main uncertainty factors relating to estimates

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

The senior management of the Group exercises discretion when making decisions about the choice of accounting principles for the financial statements and how they are applied. This particularly affects cases where the IFRS norms in force contain alternative recognition, measurement or presentation procedures. The main estimates and assumptions related to the financial statements concern impairment testing, using deferred tax assets, determining the allocation and depreciation periods for corporate acquisitions, and capitalising development expenditure.

### 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 key assumptions about the future and the main uncertainties related to the estimates on the balance sheet date that give rise to a substantial risk of material changes in the book values of the Group's assets and liabilities in the next financial period are presented below. The Group's senior management considers these parts of the financial statements to be the most relevant, as the accounting principles governing these areas are the most complex from the Group's perspective, and the application of the principles requires the greatest use of the most significant estimates and assumptions for purposes such as the valuation of assets. Furthermore, any changes in the assumptions and estimates used in these areas of the financial statements are expected to have the greatest impact.

### Impairment testing

The Group tests goodwill for impairment every six months, and it assesses any indication of impairment in accordance with the aforementioned accounting principles. 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 13 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.

### Capitalisation of development expenditure

The Group recognises product development expenditure in the balance sheet when the prerequisites for capitalisation are fulfilled. The senior management regularly assesses the fulfilment of development expenditure and the progress made on product development projects.

### Deferred tax assets recognised for losses

The Group has no deferred tax assets in its balance sheet as a result of tax losses.



## 2. Segment information

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

One customer accounted for 6.9% of net sales.

The share of net sales from customers among the related parties was 0% in the financial period.

### Geographical information

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

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.

2020		Non-current
EUR thousand	Income	assets
Europe	18,743	12,450
of which Finland	5,293	9,637
North America	1,744	19
<b>Group total</b>	<b>20,487</b>	<b>12,469</b>

2019		Non-current
EUR thousand	Income	assets
Europe	21,530	18,794
of which Finland	7,330	15,250
North America	5,871	95
<b>Group total</b>	<b>27,401</b>	<b>18,889</b>

## 3. Acquired business operations

### 2020 financial period

No business operations were acquired during the 2020 financial period.

### 2019 financial period

No business operations were acquired during the 2019 financial period.

## 4. Turnover

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

EUR thousand	2020	2019
Turnover from service fees	20,487	27,401
Customer contracts recognised over time	20,259	25,291
Customer contracts recognised based on percentage of completion	228	2,110
	<b>2020</b>	<b>2019</b>
Trade receivables	5,387	5,437
Customer contract assets		-98
Customer contract liabilities		0

The Group's asset items based on customer agreements consist of the Group's receivables that had not yet been invoiced to customers on the reporting date. The asset items based on agreements are transferred to trade receivables when there is an unconditional right to the receivable.

The liabilities based on customer agreements mainly consist of advances received from customers.

Note 16 presents more information on trade receivables.

The performance obligations that were outstanding at the end of the reporting period but will be fulfilled in the coming year were 0 (2019: 0)

## 5. Other operating income

EUR thousand	2020	2019
Contractual compensation	787	0
Government grants*	947	0
Other items	89	111
<b>Total</b>	<b>1,823</b>	<b>111</b>

The government grants consist mainly of COVID-19 operating grants awarded by states. Government grants for research and development projects were subtracted from capitalised research and development expenditure in the balance sheet. During the financial period, the Group received a total of EUR 321 thousand (2019: EUR 267 thousand) in government grants for research and development projects.

## 6. Materials and services

EUR thousand	2020	2019
Materials	-436	-56
Services	-2,674	-3,770
<b>Total</b>	<b>-3,110</b>	<b>-3,826</b>



## 7. Expenses from employee benefits

EUR thousand	2020	2019
Salaries and bonuses of the CEO and the Board of Directors	-458	-549
Options (CEO and Board of Directors)	-1	-8
Salaries and bonuses	-12,356	-15,837
Options	-24	-137
<b>Total</b>	<b>-12,839</b>	<b>-16,531</b>
Pension expenses – defined contribution schemes	-1,571	-2,028
Other personnel expenses	-2,179	-2,586
<b>Personnel expenses in the income statement</b>	<b>-16,589</b>	<b>-21,145</b>

Related-party transactions: note 28.

## 8. Personnel

Average number of employees	2020	2019
Experts	165	217
Administrative and sales personnel	43	45
<b>Total</b>	<b>208</b>	<b>262</b>
- of whom working abroad	138	159

Personnel at the end of the financial period	2020	2019
Experts	148	207
Administrative and sales personnel	34	39
<b>Total</b>	<b>182</b>	<b>246</b>
- of whom working abroad	118	155

## 9. Depreciation and impairment

EUR thousand	2020	2019
<b>Depreciation</b>		
Depreciation of intangible assets acquired in business combinations	-1,120	-1,253
Depreciation of intangible assets	-924	-159
Depreciation of right-of-use assets	-1,155	-1,646
Depreciation of tangible fixed assets	-138	-313
<b>Impairment</b>		
Goodwill	-3,700	-7,000
<b>Total depreciation and impairment</b>	<b>-7,037</b>	<b>-10,371</b>

The company has a goodwill impairment charge of EUR 3.7 million (2019: EUR 7.0 million). See note 13.

## 10. Other operating expenses

EUR thousand	2020	2019
Personnel-related expenses	-222	-543
Office charges	-134	-571
IT hardware and maintenance costs	-1,074	-870
Travel expenses	-153	-580
Marketing and sales promotion	-62	-435
Credit losses	-341	-233
Other operating expenses	-2,647	-3,025
<b>Total</b>	<b>-4,633</b>	<b>-6,257</b>

The income statement does not include the research and development expenses recognised as costs in 2020 or 2019.

**Auditor's fees**

<b>EUR thousand</b>	<b>2020</b>	<b>2019</b>
KPMG companies		
Auditing fees	-119	-102
Other statutory assignments		-7
Tax advice		-18
Other services	-2	-6
<b>Total</b>	<b>-121</b>	<b>-133</b>

**11. Financial income and expenses**

<b>EUR thousand</b>	<b>2020</b>	<b>2019</b>
Exchange rate gains	211	937
Other financial income	10	146
<b>Total financial income</b>	<b>221</b>	<b>1,083</b>
Interest expenses from liabilities recognised at amortised cost	-1,349	-1,033
Changes in the value of financial assets recognised at fair value through profit or loss		
- interest rate derivatives	-23	-19
Exchange rate losses	-1,622	-388
Interest on lease liabilities	-37	-64
Other financial expenses	-188	-490
<b>Total financial expenses</b>	<b>-3,219</b>	<b>-1,994</b>
<b>Total financial income and expenses</b>	<b>-2,998</b>	<b>-911</b>

**12. Income taxes****Income taxes in the income statement**

<b>EUR thousand</b>	<b>2020</b>	<b>2019</b>
Taxes for the financial period	13	43
Taxes for previous financial periods	-53	0
Deferred taxes	203	293
<b>Total</b>	<b>163</b>	<b>336</b>

**Reconciliation of the Group's tax rate with the Finnish tax rate**

<b>EUR thousand</b>	<b>2020</b>	<b>2019</b>
<b>Profit before taxes</b>	<b>-12,057</b>	<b>-14,998</b>
Tax expenses at the Finnish tax rate	2,411	3,000
Other non-deductible items	-740	-1,400
Impairment		
Taxes for previous financial periods	-53	
Different tax rates of foreign subsidiaries	258	58
Unrecognised deferred tax asset for losses	-1,583	-1,511
Others	-130	189
<b>Group taxes</b>	<b>163</b>	<b>336</b>

Note 15 provides further information on deferred tax assets and liabilities and tax losses.

## 13. Intangible assets

### Intangible assets 2020

EUR thousand	Goodwill	Develop- ment expen- diture	Intangible rights	Intangible assets	Ongoing research and development projects	Total
Acquisition cost 1 Jan 2020	18,434		8,228	13,933	5,896	46,491
Increases			201	20		221
Decreases		-321	-27			-348
Transfers between balance sheet items		1,377			-1,377	0
Changes in exchange rates	251	-63	-1	216		403
<b>Acquisition cost 31 Dec 2020</b>	<b>18,685</b>	<b>993</b>	<b>8,401</b>	<b>14,169</b>	<b>4,519</b>	<b>46,767</b>
Accumulated depreciation and impairment 1 Jan 2020	-7,500		-7,658	-10,976	-4,519	-30,653
Depreciation for the financial period		-251	-674	-1,120		-2,045
Accumulated depreciation on decreases and transfers			16			16
Impairment for the financial period	-3,700					-3,700
Changes in exchange rates		3	0	-162		-159
<b>Accumulated depreciation and impairment 31 Dec 2020</b>	<b>-11,200</b>	<b>-248</b>	<b>-8,316</b>	<b>-12,258</b>	<b>-4,519</b>	<b>-36,541</b>
<b>Book value 1 Jan 2020</b>	<b>10,934</b>	<b>0</b>	<b>570</b>	<b>2,957</b>	<b>1,377</b>	<b>15,838</b>
<b>Book value 31 Dec 2020</b>	<b>7,485</b>	<b>745</b>	<b>85</b>	<b>1,911</b>	<b>0</b>	<b>10,226</b>

### Intangible assets 2019

EUR thousand	Goodwill	Develop- ment expen- diture	Intangible rights	Intangible assets	Ongoing research and development projects	Total
Acquisition cost 1 Jan 2019	18,594		7,834	14,020	5,123	45,570
Increases			393		1,040	1,433
Decreases					-267	-267
Transfers between balance sheet items						
Changes in exchange rates	-160		1	-87		-246
<b>Acquisition cost 31 Dec 2019</b>	<b>18,434</b>		<b>8,228</b>	<b>13,933</b>	<b>5,896</b>	<b>46,491</b>
Accumulated depreciation and impairment 1 Jan 2019	-500		-7,531	-9,667	-4,519	-22,217
Depreciation for the financial period			-127	-1,331		-1,458
Impairment for the financial period	-7,000					-7,000
Changes in exchange rates				22		22
<b>Accumulated depreciation and impairment 31 Dec 2019</b>	<b>-7,500</b>		<b>-7,658</b>	<b>-10,976</b>	<b>-4,519</b>	<b>-30,653</b>
<b>Book value 1 Jan 2019</b>	<b>18,094</b>		<b>303</b>	<b>4,352</b>	<b>604</b>	<b>23,353</b>
<b>Book value 31 Dec 2019</b>	<b>10,934</b>		<b>570</b>	<b>2,956</b>	<b>1,377</b>	<b>15,837</b>

The acquisition cost of research and development expenditure was deducted from the research and development grants received, which totalled EUR 321 thousand (EUR 267 thousand).

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 1,890 thousand (EUR 2,943 thousand).



## Goodwill impairment testing

The goodwill is allocated to one cash-generating unit.

At the end of the financial period, there was EUR 7.5 million (EUR 10.9 million) of goodwill in the balance sheet following an impairment charge of EUR 3.7 million, which was recognised during the financial period on 30 June 2020. The company conducted an IAS 36 impairment test on its goodwill to reflect the status on 31 December 2020, and the test did not find any need for impairment charges. The impairment charge of 30 June 2020 is due to the company assuming the risks related to the growth of businesses that were acquired previously and are recognised in the balance sheet in such a way that growth will be slower or more moderate than previously assumed. This change in assumptions has also affected the cash flows and discount interest rates used for impairment testing.

The amount of money that can be collected from cash-flow-generating units is based on the value in use of the asset concerned. Goodwill is tested for impairment by comparing the value in use to the book value. The first-year cash flow forecasts are based on budgets approved by the senior management. The present values for the four-year forecasting period thereafter are determined using the following assumptions based on the discretion of the senior management: In the testing conducted on 31 December 2020, the cash flow forecasting period consisted of the forecast for the period from 2021 to 2024. During the 2021–2024 forecasting period, average growth of 20 per cent is expected to be achieved as digitalisation spreads to an increasing share of business life. The testing calculations used an operating profit margin of approximately 6% for the terminal period. Growth in the terminal period was assumed to be 1%.

The cash flow forecasts are discounted using the weighted average cost of capital before taxes. The discount rate was calculated on the basis of an estimate of the Group's yield requirement for shareholders' equity and the Group's cost of new liabilities during the financial statements, plus the risk premium. The discount rate is 13% (14%).

A negative change in significant individual assumptions used in the calculations would necessitate an additional goodwill impairment charge.

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

EUR thousand	One Digitalist Group	Total
Goodwill 1 Jan 2020	10,934	10,934
Translation differences	251	251
Impairment	-3,700	-3,700
<b>Goodwill 31 Dec 2020</b>	<b>7,485</b>	<b>7,485</b>

Goodwill 1 Jan 2019	18,059	18,059
Translation differences	-125	-125
Impairment	-7,000	-7,000
<b>Goodwill 31 Dec 2019</b>	<b>10,934</b>	<b>10,934</b>

Key assumptions used when testing goodwill	2020	2019
Forecast period	4	4
Annual growth turnover	20%	15%
Growth rate of cash flows after the forecast period	1%	1%
Discount rate	13%	14%



## 14. Tangible assets and right-of-use assets

### Tangible assets 2020

EUR thousand	Right-of-use assets *	Machinery and equipment	Other tangible assets	Tangible assets not subject to depreciation	Other investments	Total
Acquisition cost 1 Jan 2020	4,319	11,709	158	26	2	16,214
Increases	347	27			1	375
Depreciation and transfers	-2,060	-100	-7			-2,167
Changes in exchange rates	22	-3	-6	1		14
<b>Acquisition cost 31 Dec 2020</b>	<b>2,628</b>	<b>11,633</b>	<b>145</b>	<b>27</b>	<b>3</b>	<b>14,436</b>
Accumulated depreciation 1 Jan 2020	-1,646	-11,419	-97	0		-13,162
Depreciation for the financial period	-1,155	-94	-44			-1,293
Accumulated depreciation on decreases and transfers	1,156		3			1,159
Changes in exchange rates	-25	-4	5			-24
<b>Accumulated depreciation 31 Dec 2020</b>	<b>-1,670</b>	<b>-11,517</b>	<b>-133</b>	<b>0</b>	<b>0</b>	<b>-13,320</b>
<b>Book value 1 Jan 2020</b>	<b>2,673</b>	<b>290</b>	<b>61</b>	<b>26</b>	<b>2</b>	<b>3,052</b>
<b>Book value 31 Dec 2020</b>	<b>958</b>	<b>116</b>	<b>12</b>	<b>27</b>	<b>3</b>	<b>1,116</b>

### Tangible assets 2019

EUR thousand	Right-of-use assets *	Machinery and equipment	Other tangible assets	Tangible assets not subject to depreciation	Other investments	Total
Acquisition cost 1 Jan 2019	3,817	11,639	147	26	2	15,631
Increases	502	69	56			627
Depreciation and transfers						0
Changes in exchange rates		1	-45			-44
<b>Acquisition cost 31 Dec 2019</b>	<b>4,319</b>	<b>11,709</b>	<b>158</b>	<b>26</b>	<b>2</b>	<b>16,214</b>
Accumulated depreciation 1 Jan 2019		-11,197	-62			-11,259
Depreciation for the financial period	-1,646	-222	-35			-1,903
Changes in exchange rates						0
<b>Accumulated depreciation 31 Dec 2019</b>	<b>-1,646</b>	<b>-11,419</b>	<b>-97</b>	<b>0</b>	<b>0</b>	<b>-13,162</b>
<b>Book value 1 Jan 2019</b>	<b>3,817</b>	<b>442</b>	<b>85</b>	<b>26</b>	<b>2</b>	<b>555</b>
<b>Book value 31 Dec 2019</b>	<b>2,673</b>	<b>290</b>	<b>61</b>	<b>26</b>	<b>2</b>	<b>3,052</b>

\* The Group's right-of-use assets consist mainly of lease agreements for its offices.



## 15. Deferred tax assets and liabilities

### Breakdown of deferred tax liabilities 2020

EUR thousand	1 Jan 2020	Recognised in income statement	Translation differences	Acquired transactions	31 Dec 2020
Recognition of intangible assets at fair value	670	-203	2		469
Other items	2				2
<b>Total</b>	<b>672</b>	<b>-203</b>	<b>2</b>	<b>0</b>	<b>471</b>

### Breakdown of deferred tax liabilities 2019

EUR thousand	1 Jan 2019	Recognised in income statement	Translation differences	Acquired transactions	31 Dec 2019
Recognition of intangible assets at fair value	980	-292	-18		670
Other items	2				2
<b>Total</b>	<b>982</b>	<b>-292</b>	<b>-18</b>	<b>0</b>	<b>672</b>

Confirmed tax losses	Expires	EUR million
2011	2021	0.0
2012	2022	7.7
2013	2023	11.1
2014	2024	5.9
2015	2025	7.8
2016	2026	4.7
2017	2027	2.4
2018	2028	2.5
2019	2029	4.0
<b>Total</b>		<b>46.1</b>

The Group does not have any deferred tax assets in its balance sheet due to the tax losses and continuing uncertainty in the market.

### Breakdown of deferred tax assets 2020

EUR thousand	1 Jan 2020	Recognised in income statement	Translation differences	Acquired transactions	31 Dec 2020
Other items	0	41			41
<b>Total</b>	<b>0</b>	<b>41</b>	<b>0</b>	<b>0</b>	<b>41</b>



## 16. Trade and other receivables

<b>Current receivables</b>	<b>2020</b>		<b>2019</b>
Trade receivables	5,387		5,939
Other receivables	781		572
<b>Total</b>	<b>6,168</b>		<b>6,511</b>
<b>Other receivables</b>	<b>2020</b>		<b>2019</b>
Other receivables	422		124
Prepayments and accrued income	359		448
<b>Total</b>	<b>781</b>		<b>572</b>
<b>Age distribution of trade receivables</b>	<b>2020</b>	<b>Impairment</b>	<b>Net 2020</b>
Not due	3,971	0	3,971
Due in 1–30 days	994	0	994
Due in 31–60 days	89	0	89
Due in 61–90 days	107	0	107
Due in 91–180 days	163	0	163
Due in more than 180 days	383	-320	63
<b>Total</b>	<b>5,707</b>	<b>-320</b>	<b>5,387</b>
<b>Age distribution of trade receivables</b>	<b>2019</b>	<b>Impairment</b>	<b>Net 2019</b>
Not due	4,589	0	4,589
Due in 1–30 days	1,032	0	1,032
Due in 31–60 days	6	0	6
Due in 61–90 days	26	0	26
Due in 91–180 days	41	0	41
Due in more than 180 days	478	-233	245
<b>Total</b>	<b>6,172</b>	<b>-233</b>	<b>5,939</b>

Financial assets do not include overdue items.

Credit losses of EUR 320 thousand (2019: credit losses of EUR 233 thousand) were recognised in the financial period.

Note 24 presents the criteria for assessing the fair values of receivables.

Credit risk management is a key part of the Group's risk management. The Group's 20 largest customers account for 54% of its customer invoicing. 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.

In order to reduce the turnover time of trade receivables, the company had a total of EUR 0.2 million (2019: 0.6 million) of sold trade receivables in its balance sheet on the balance sheet date (31 December 2020), and these were assigned to financing companies in early 2021. The value of trade receivables sold during the financial period was EUR 4.7 million (2019: EUR 6.2 million).



## 17. Cash and cash equivalents

EUR thousand	2020	2019
Cash and cash equivalents	1,008	787

Cash and cash equivalents consist of bank deposits in current accounts.

## 18. Shareholders' equity

	Number of shares	Share capital (EUR)	Share premium fund (EUR)	Invested unrestricted equity fund (EUR)	Total (EUR)
1 Jan 2020	651,022,746	585	219	73,186	73,990
Changes	-	-	-	-215	-215
<b>31 Dec 2020</b>	<b>651,022,746</b>	<b>585</b>	<b>219</b>	<b>72,971</b>	<b>73,775</b>

	Number of shares	Share capital (EUR)	Share premium fund (EUR)	Invested unrestricted equity fund (EUR)	Total (EUR)
1 Jan 2019	651,022,746	585	219	73,186	73,990
Changes	-	-	-	-	-
<b>31 Dec 2019</b>	<b>651,022,746</b>	<b>585</b>	<b>219</b>	<b>73,186</b>	<b>73,990</b>

The following section describes the shareholders' equity funds:

### 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 entered in shareholders' equity under a specific decision. The payments received for share subscriptions executed on the basis of option schemes decided upon since the new Limited Liability Companies Act (21 July 2006/624) entered into force (on 1 September 2006) are recognised in full in the invested unrestricted equity fund.

## 19. Provisions

Digitalist Group Plc did not recognise any provisions in 2020 or 2019.



## 20. Non-current liabilities

EUR thousand	Other loans	Convertible bond loans	Deferred tax liabilities	Lease liabilities	Total
Non-current liabilities 1 Jan 2020	2,871	8,568	672	1,412	13,523
Change in the financial period	-183	641	-201	-1,267	-1,010
<b>Non-current liabilities 31 Dec 2020</b>	<b>2,688</b>	<b>9,209</b>	<b>471</b>	<b>145</b>	<b>12,513</b>

EUR thousand	Other loans	Convertible bond loans	Deferred tax liabilities	Financial leasing liabilities	Total
Non-current liabilities 1 Jan 2019	3,025	8,568	982	71	12,646
Change in the financial period	-154	0	-310	1,341	877
<b>Non-current liabilities 31 Dec 2019</b>	<b>2,871</b>	<b>8,568</b>	<b>672</b>	<b>1,412</b>	<b>13,523</b>

Note 24 presents the criteria for assessing the fair values of liabilities.

## 21. Financial liabilities

### Non-current financial liabilities

EUR thousand	2020	2019
Convertible bond loan	9,209	8,568
Loans from financial institutions	2,688	2,871
Other loans		0
Lease liabilities	145	1,412
<b>Non-current financial liabilities</b>	<b>12,042</b>	<b>12,851</b>

### Current financial liabilities

EUR thousand	2020	2019
Convertible bond loan	8,672	
Loans from financial institutions	6,541	5,825
Other loans		6,635
Lease liabilities	820	1,536
Financial liabilities recognised at fair value through profit or loss <sup>1</sup>	0	19
<b>Current financial liabilities</b>	<b>16,033</b>	<b>14,015</b>

<sup>1</sup> 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.

Repayment programme according to the loan agreements for interest-bearing loans on 31 December 2020 (does not include credit limits of EUR 5.5 million, which are included in current loans from financial institutions).



<b>Total loans 31 Dec 2020</b>	23,310
Repayments 2021	10,196
Repayments 2022	10,988
Repayments 2023	934
Repayments 2024	867
Repayments 2025	325

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

<b>Changes in interest-bearing liabilities during the financial period (EUR thousand)</b>	<b>2020</b>
Interest-bearing liabilities 1 Jan 2020	26,866
Monetary changes in interest-bearing liabilities in the financial period	3,192
Non-monetary changes:	
Increase in IFRS 16 lease liability	-1,983
<b>Interest-bearing liabilities 31 Dec 2020</b>	<b>28,075</b>

<b>Changes in interest-bearing liabilities during the financial period (EUR thousand)</b>	<b>2019</b>
Interest-bearing liabilities 1 Jan 2019	16,298
Monetary change in interest-bearing liabilities in the financial period	7,620
Non-monetary changes:	
Increase in IFRS 16 lease liability	2,948
<b>Interest-bearing liabilities 31 Dec 2019</b>	<b>26,866</b>

## 22. Current liabilities

### Current liabilities

<b>EUR thousand</b>	<b>2020</b>	<b>2019</b>
Accounts payable	1,524	2,176
Tax liabilities	-21	59
Loans from financial institutions	6,541	5,825
Other loans		6,654
Lease liabilities	820	1,536
Convertible bonds	8,672	0
Other liabilities	2,481	1,531
Accrued expenses and deferred income	3,801	3,297
<b>Total</b>	<b>23,818</b>	<b>21,078</b>

### Other liabilities

<b>EUR thousand</b>	<b>2020</b>	<b>2019</b>
Withholding tax liabilities	279	350
Social security contribution liabilities	407	497
VAT liabilities	1,688	447
Other liabilities	107	237
<b>Other liabilities, total</b>	<b>2,481</b>	<b>1,531</b>

### Accrued expenses and deferred income

<b>EUR thousand</b>	<b>2020</b>	<b>2019</b>
Accrued employee expenses	1,618	1,377
Interest accruals	1,158	157
Other accrued expenses and deferred income	1,025	1,763
<b>Total accrued expenses and deferred income</b>	<b>3,801</b>	<b>3,297</b>



## 23. Cash flow statement

EUR thousand	2020	2019
Change in working capital	661	-594
Change in trade receivables and other receivables	94	1354
Change in accounts payable and other liabilities	1221	-1948

## 24. Book values and fair values of financial assets and liabilities

### Financial assets and liabilities recognised at fair value through profit or loss

The Group classifies interest rate swap contracts and other investments at fair value through profit or loss, and they are included in the balance sheet under current assets or liabilities.

Fair value adjustments are recognised in the income statement as financial income or expenses. The fair values of the contracts have been calculated by discounting the future cash flows.

The contracts are presented in the balance sheet under financial assets or liabilities and are acquired for hedging purposes. The company does not apply hedge accounting.

### Financial assets valued at amortised cost

After being recognised at acquisition cost, loans and other receivables are valued at amortised cost using the effective interest rate method. 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 group. The cash flows from these items consist solely of capital and the interest on the outstanding capital. They are included in the balance sheet under current and non-current assets.

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

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

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

### Criteria for determining fair value

#### 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 16 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)**

<b>Interest rate swap contracts</b>	<b>2020</b>	<b>2019</b>
Due within 1 year		0
Maturing within 1–5 years	2,000	2,000
<b>Total</b>	<b>2,000</b>	<b>2,000</b>
Fair value	-23	-19

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.

**Financial assets and liabilities**

<b>Financial assets</b>	<b>2020</b>	<b>2019</b>
<b>EUR thousand</b>		
Financial assets valued at amortised cost		
Trade and other receivables	6,171	6,606
Cash and cash equivalents	1,008	787
Financial assets recognised at fair value through profit or loss		
Loan receivables	1,085	
<b>Total</b>	<b>8,264</b>	<b>7,393</b>

<b>Financial liabilities</b>	<b>2020</b>	<b>2019</b>
<b>EUR thousand</b>		
Financial liabilities valued at amortised cost		
Accounts payable and other liabilities	7,762	7,044
Loans	28,075	26,866
Derivative instruments	23	19
For hedging		
Recognised at fair value through profit or loss		
<b>Total</b>	<b>35,860</b>	<b>33,929</b>



## 25. Earnings per share

	2020	2019
Earnings for the financial period attributed to owners of the parent company (EUR thousand)	-11,820	-14,662
Average number of shares during the financial period adjusted for share issues	651,022,746	651,022,746
Earnings per share (EUR)	-0.02	-0.02
Number of shares diluted by share issues average during the period	651,022,746	651,022,746
Diluted earnings per share (EUR)	-0.02	-0.02
Impact of adjustments for share issues and dilution	0	0

## 26. Board of directors' proposal for the use of distributable assets

The Board of Directors of Digitalist Group Plc proposes to the Annual General Meeting that the distributable assets be retained in shareholders' equity and that no dividend be distributed to shareholders for the 2020 financial period.

On 31 December 2020, the parent company had distributable assets of EUR 5,295,235.39.

## 27. Group companies

Name	Group's ownership	Domicile
Digitalist Group Plc	Parent company	Finland, Helsinki
Digitalist Finland Ltd	100%	Finland, Helsinki
Digitalist Canada Ltd.	100%	Canada, Vancouver
Ixonos Estonia OÜ	100%	Estonia, Tallinn
Ixonos Germany GmbH	100%	Germany, Berlin
Ixonos Slovakia s.r.o.	100%	Slovakia, Kosice
Digitalist USA Ltd.	100%	USA, San Francisco
Digitalist UK Ltd.	100%	United Kingdom, London
Ticknovate Ltd	65%	United Kingdom, London
Crescent, Inc.	100%	USA, San Francisco
Digitalist Singapore Pte Ltd.	100%	Singapore, Singapore
Digitalist Sweden AB	70%	Sweden, Stockholm
Grow AB	100%	Sweden, Stockholm
Grow Finland Oy*	100%	Finland, Helsinki

### Changes in the Group structure 2020

Grow Holding AB merged with its subsidiary Grow AB.

Ticknovate Ltd was established, and 35% of the company was sold to a minority shareholder.

Thirty per cent of the shares of Digitalist Sweden AB were sold to the company's Executive management.

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



## 28. Related-party transactions

Digitalist Group Plc's related parties include the members of the Board of Directors, the CEO and the members of the Group's Management Team.

### Salaries, bonuses and other short-term employee benefits

EUR thousand	2020	2019
Ville Tolvanen, CEO (until 15 March 2019)		63
Hans Parvikoski, CEO (from 15 March to 31 August 2019)		129
Petteri Poutiainen, CEO (since 1 September 2019)	300	110
<b>Board of Directors</b>		
Rosenlew Andreas (chair since 28 June 2018)	51	50
Ehrnrooth Paul (chair until 28 June 2018)	25	25
Matikainen, Esa (deputy chair since 17 April 2018)	36	39
Ekström Bo-Erik (until 2 April 2019)		8
Eriksson, Peter	25	27
Pylkäs Pekka (until 14 April 2020)	8	27
Rosendahl Jaana (until 14 April 2020)	8	27
Tolvanen Ville (from 2 April 2019 to 14 April 2020)	7	19
Liljeblad Anders (until 14 April 2020)	8	26
Olofsson Maria (since 14 April 2020)	16	
Management Team (excluding the CEO)	768	1,091
<b>Total salaries and bonuses paid to the related parties</b>	<b>1,251</b>	<b>1,640</b>

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

In 2020, the members of the Board of Directors, the CEO and the Management Team held a total of 3,580,500 options (2019: 3,580,500).

The total fair value of the options is EUR 129 thousand (2019: EUR 215 thousand).

Number of shares held by the members of the Board of Directors, the CEO and the Management Team

	2020	2019
CEO	0	0
Board of Directors (*)	349,664,704	354,636,413
Management Team	12,901,841	12,901,841
<b>Total</b>	<b>362,566,545</b>	<b>367,538,254</b>

\*) Turret Oy Ab, a related party, holds 305,237,039 shares, which account for 46.89% of the total

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

The CEO's pension scheme is the normal statutory earnings-related pension. The CEO also has a voluntary supplementary pension scheme, for which a payment of EUR 8.5 thousand was made in 2020 (EUR 8.5 thousand in 2019).

The CEO's notice period is 9 months if the company gives notice and 6 months if the CEO gives notice. If the company dismisses the CEO, the CEO is entitled to severance pay equal to 9 months' salary.

### Related-party loans

Digitalist Group Plc has loans from Turret Oy Ab and Holdix Oy Ab totalling EUR 17,881,300. The fixed interest rate of the loans is 6%.

On 12 March 2020, Digitalist Group Plc agreed on a financing arrangement of approximately EUR 9.2 million with Turret Oy Ab and Holdix Oy Ab whereby the company's short-term liabilities to Turret and Holdix were converted into long-term convertible bonds amounting to approximately EUR 8.2 million. In addition to the debt conversion, Turret will pay EUR 1.0 million in cash to the company as the price of subscription of the convertible bonds in accordance with the terms and conditions. As part of the Arrangement, Turret's receivables of approximately EUR 1.375 million from the company's subsidiaries Digitalist Sweden AB and Grow AB became the liabilities of Digitalist Group. The Arrangement also includes an agreement between the company, Turret and Holdix on the alteration of the terms of Digitalist Group's Convertible Loan of 31 May 2018 such that the interest payable on the bond principal as of 12 March 2020 was postponed for payment in a single instalment at the maturity of each bond on 31 December 2021.



## 29. Share-based payments

### 2019 option programme

On 27 August 2019, the Annual General Meeting of Digitalist Group Plc decided to issue options on the basis of the authorisation granted on 2 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 Aug 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 Dec 2021 and ends on 31 Dec 2023. The subscription period for the 2019A2, 2019B2 and 2019C2 options begins on 31 Dec 2022 and ends on 31 Dec 2023.

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

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

The theoretical market value of the incentive scheme is approximately EUR 25 thousand, and this sum will be recognised as an expense according to IFRS 2 from 2019 to 2022. There will be no cash-flow effect from the expense.

The theoretical market value of the share options was calculated using the Black & Scholes method.

### Key assumptions used to determine the fair value of options

Stock Option Program	2019
Grant date	27 Aug 2019
Number on the date of issue	1,790,250
Subscription price	0.06
Validity	31 Dec 2021
Share price on the date of issue	0.05
Number of persons on the date of issue	3
Changes in 2019:	
Granted options	1,790,250
Lapsed options	0
Number of options 31 Dec 2019	1,790,250
Changes in 2020:	
Granted options	0
Lapsed options	0
Number of options 31 Dec 2020	1,790,250
Volatility	76%
Dividend yield	0%
Share price 31 Dec 2019	0.05
Share price 31 Dec 2020	0.04



## 30. Contingent liabilities

On 31 December 2020, the Group had corporate mortgages valued as follows: nine at EUR 1,000,000, one at EUR 800,000, one at EUR 55,000, two at EUR 50,000 and one at EUR 45,000. These mortgages were to secure the Group's own loans from financial institutions, overdraft facilities, leasing and other liabilities. In addition, the Group had corporate mortgages to guarantee the additional equity financing received from Turret Oy Ab and Holdix Oy Ab valued as follows: two at EUR 1,000,000 and three at EUR 500,000. The total amount in corporate mortgages is EUR 13,450,000.

The mortgages guarantee a total of EUR 12,035 thousand in additional financing in the form of loans from financial institutions and overdraft facilities.

## 31. Events since the financial period

On 25 January 2021, the Annual General Meeting of Digitalist Group Plc decided to issue options on the basis of the authorisation granted on 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.

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 company's Board of Directors stated that the undistributed options from the 2019 option scheme have lapsed. A total of 3,580,000 options were issued under the 2019A1 and 2019A2 series of the company's 2019 option scheme, and these options will enable up to 3,580,000 new shares in the company to be subscribed, subject to the terms of the option scheme.

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

## 32. Financial risk management

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

Digitalist Group's long-term financing has been arranged with two main financiers. The company may later decide to arrange a share issue. If the economy were to enter an exceptionally long-term recession, it would likely increase Digitalist Group's financial expenses in relation to the Group's operating income because, during a general recession, Digitalist Group's earning capacity and

cash flow from operations can be expected to decrease. The aforementioned matters may also weaken the availability of external financing for Digitalist Group and the Group's financial position.

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

### Interest rate risk

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

### Loans from financial institutions

On 31 December 2020, the company had a total of EUR 7.2 million (2019: EUR 7.2 million) of unhedged, variable-rate loans from financial institutions, consisting of the overdraft facilities available on the balance sheet date in 2020 and variable-rate loans from financial institutions. The average interest rate on loans from financial institutions in 2020 was 2.3 per cent (2019: 2.8 per cent). If the interest rate were to rise by one percentage point, the annual interest expenses on the company's variable-rate loans from financial institutions would increase by approximately EUR 72 thousand. The realisation of interest rate risks would limit the company's access to external financing and weaken its financial position.

### Related-party loans

On 31 December 2020, the company had a total of EUR 17.9 million (2019: EUR 16.0 million) in other unhedged loan principal, which consisted entirely of fixed-rate related-party loans. The average interest rate on related-party loans in 2020 was 6.0 per cent (2019: 5.9 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 179 thousand. Note 29 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

Loans from financial institutions	Number	Average interest rate (%)	Sensitivity to interest
31 Dec 2020	9,229	2.31	-72
31 Dec 2019	9,158	2.81	-72
<b>Other loans</b>			
31 Dec 2020	17,881	6.00	-179
31 Dec 2019	14,758	5.87	-147

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

The company does not apply hedge accounting in accordance with IFRS 9. The changes in the fair values of derivatives acquired for hedging purposes are recognised through profit or loss in the financial income and expenses group. The changes in the fair values of derivative instruments recognised through profit or loss were EUR 23 thousand in expenses for the period from 1 January to 31 December 2020, and EUR 19 thousand for the financial period that ended on 31 December 2019. 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 2020 (2019: EUR 20 thousand). The sensitivity analysis did not take into account the impact of taxes.

On 31 December 2020, 29 per cent (2019: 38 per cent) of the company's loans from financial institutions had variable interest rates. This figure includes the overdraft facilities in use.

The Group's related-party loans have fixed rates of interest.

## Liquidity risk

The objective of the company's liquidity risk management is to ensure sufficient liquid assets to finance the business operations and repay outstanding loans. The company strives to continuously assess and monitor the amount of financing required by its business operations in order to achieve the aforementioned objective. The company's cash and cash equivalents on 31 December 2020 consisted almost entirely of funds held in bank accounts. The Group's financial management function continuously monitors the company's liquidity and adequacy of financing. Any disruption in the cash flow of the core business would weaken the company's financial position.

When the financial statements were published, the company expected its working capital to be sufficient to cover its requirements over the next 12 months based on financing plans underway with the main owner.

Maturity of financial liabilities and interest on loans

### EUR thousand

31 Dec 2020	Balance sheet value	Cash flow	Under 1 year	1-5 years	Over 5 years
Loans from financial institutions	3,716	3,835	759	3,076	
Overdrafts	5,513	5,513	5,513		
Convertible bonds	17,881	19,475	9,437	10,038	
Other related-party loans					
Lease liabilities IFRS 16	965	950	805	146	
Accounts payable	1,525	1,525	1,525		

### EUR thousand

31 Dec 2019	Balance sheet value	Cash flow	Under 1 year	1-5 years	Over 5 years
Loans from financial institutions	3,418	3,905	807	3,098	
Overdrafts	5,295	5,295	5,295		
Convertible bonds	8,672	9,712	520	9,192	
Other related-party loans	6,087	7,029	7,029		
Lease liabilities IFRS 16	2,949	3,125	1,661	1,098	366
Accounts payable	2,176	2,176	2,176		

The company has made an agreement with its principal financiers on a loan payment holiday until 31 December 2021. EUR 5.8 million of the revolving credit limit was in use at the end of the financial period EUR 5.5 million.



## Currency risk

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

EUR thousand	2020					2019			
	CAD	GBP	SEK	USD	SGD	CAD	GBP	SEK	USD
Current assets									
Other financial assets	50	400	446		61	178	14	258	202
Trade and other receivables	378	1010	3,628	27	0	417	178	2,651	228
Current liabilities									
Non-interest-bearing liabilities	146	204	2,757	113	10	75	113	2,664	198
<b>Open position</b>	<b>282</b>	<b>1,206</b>	<b>1,318</b>	<b>-86</b>	<b>51</b>	<b>520</b>	<b>79</b>	<b>245</b>	<b>232</b>

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.

EUR thousand	2020					2019				
	CAD	GBP	SEK	USD	SGD	CAD	GBP	SEK	SGD	USD
Impact on earnings before taxes	14	60	66	-4	3	26	4	12	0	12

## 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 company includes shareholders' equity and loans from financial institutions and from Tremoko Oy Ab, a related party, in its equity.

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 2020 and 31 December 2019 were as follows:

EUR thousand	2020	2019
Interest-bearing liabilities	-28,075	-26,866
Cash and cash equivalents	1,008	787
Interest-bearing net liabilities	-27,067	-26,079
Total shareholders' equity	-16,686	-8,321
Net gearing as a proportion of shareholders' equity (%)	162.2%	313.4%

**Parent company's income statement (FAS)**

EUR	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019
Other operating income	570,452	1,400,785
Materials and services		
Materials, goods and supplies	-3,641	0
Total materials and services	-3,641	0
Personnel expenses		
Salaries and bonuses	-701,639	-1,008,252
Social security expenses		
Pension expenses	-72,699	-101,947
Other social security expenses	-10,999	-1,752
Total social security expenses	-83,698	-103,699
Total personnel expenses	-785,337	-1,111,951
Depreciation and impairment		
Depreciation of tangible and intangible assets	-594,818	-157,497
Total depreciation and impairment	-594,818	-157,497
Other operating expenses	-3,052,092	-1,676,658
<b>Operating profit</b>	<b>-3,865,436</b>	<b>-1,545,321</b>
Financial income and expenses		
Interest and financial income		
Income from shares in Group companies	99,804	0
Income from other investments in fixed assets	680,967	0
Interest income	187,627	363,394
Other financial income	66,091	154,880
Total interest and financial income	1,034,489	518,274
Interest and other financial expenses		
Interest expenses	-1,256,598	-841,814
Other financial expenses	-464,212	-630,890
Impairment of fixed asset investments	-6,515,486	-15,000,643
Total interest and financial expenses	-8,236,296	-16,473,347
Total financial income and expenses	-7,201,807	-15,955,073
<b>Profit/loss for the financial period</b>	<b>-11,067,243</b>	<b>-17,500,394</b>

**Parent company balance sheet (FAS)**

EUR	31 Dec 2020	31 Dec 2019
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Intangible assets		
Intangible rights	85,124	549,964
Total intangible assets	85,124	549,964
Tangible assets		
Machinery and equipment	15,935	43,639
Other tangible assets	11,477	11,477
Total tangible assets	27,413	55,117
Investments		
Shares in Group companies	21,165,102	26,070,991
Other shares	1,953	1,953
Total investments	21,167,055	26,072,944
<b>TOTAL NON-CURRENT ASSETS</b>	<b>21,279,592</b>	<b>26,678,025</b>
<b>CURRENT ASSETS</b>		
Non-current receivables		
Loan receivables	2,291,153	1,000,000
Total non-current receivables	2,291,153	1,000,000
Current receivables		
Trade receivables	4,264,211	5,472,490
Prepayments and accrued income	873,694	57,865
Other receivables	5,721,750	7,462,957
Total current receivables	10,859,655	12,993,311
Cash and cash equivalents		
Cash in hand and at bank	60,597	49,940
<b>TOTAL CURRENT ASSETS</b>	<b>13,211,407</b>	<b>14,043,251</b>
<b>TOTAL ASSETS</b>	<b>34,490,998</b>	<b>40,721,276</b>



EUR	31 Dec 2020	31 Dec 2019
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	585,394	585,394
Share premium account	218,725	218,725
Invested non-restricted equity fund	74,431,644	74,431,644
Retained earnings	-58,069,164	-40,354,152
Profit/loss for the financial period	-11,067,243	-17,500,394
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>6,099,356</b>	<b>17,381,217</b>
<b>LIABILITIES</b>		
Non-current liabilities		
Convertible bond loan	9,209,368	8,671,932
Total non-current liabilities	9,209,368	8,671,932
Current liabilities		
Convertible bond loan	8,671,932	0
Financial liabilities	5,440,851	11,363,458
Accounts payable	1,988,993	1,541,045
Other current liabilities	1,653,098	731,319
Accrued expenses and deferred income	1,427,400	1,032,304
Total current liabilities	19,182,274	14,668,126
<b>TOTAL LIABILITIES</b>	<b>28,391,642</b>	<b>23,340,058</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>34,490,998</b>	<b>40,721,276</b>



## Parent company's cash flow statement

EUR	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019
<b>Cash flow from operations</b>		
Profit/loss for the financial period	-11,067,243	-17,500,394
Adjustments to cash flow from operations		
Planned depreciation	594,818	157,497
Impairment of fixed assets	6,515,486	15,000,643
Unrealised foreign exchange gains and losses	-83,707	0
Other income and expenses not involving cash	1,498,521	0
Financial income and expenses	686,321	954,430
Other adjustments		956,640
Cash flow before change in working capital	-1,855,804	-431,184
Change in working capital	-208,569	-6,265,005
Interest received from operations	0	14,650
Interest paid and other financial expenses from operations	0	-191,101
<b>Net cash flow from operations</b>	<b>-2,064,374</b>	<b>-6,872,640</b>
<b>Cash flow from investments</b>		
Acquisition of subsidiaries net of cash acquired	0	0
Investments in tangible and intangible assets	-111,356	-300,080
Income from disposal of tangible and intangible assets	1,714	0
Intra-Group loans issued	0	0
Interest income from investments	17,275	0
Dividends from investments	99,804	0
Capital gains from other investments	297,306	0
Repayment of intra-Group loans	0	0
<b>Total cash flow from investments</b>	<b>304,742</b>	<b>-300,080</b>
<b>Cash flow before financial items</b>	<b>-1,759,632</b>	<b>-7,172,720</b>
<b>Cash flow from financing activities</b>		
Purchase of own shares	-214,618	0
Drawdown of long-term loans	1,000,000	0
Repayment of long-term loans	0	0
Drawdown of short-term loans	1,163,703	7,171,131
Repayment of short-term loans	0	0
Interest and other charges for financial expenses	-178,796	0
Payments received for share subscriptions	0	0
<b>Net cash flow from financing</b>	<b>1,770,289</b>	<b>7,171,131</b>
<b>Change in cash and cash equivalents</b>	<b>10,657</b>	<b>-1,588</b>
Cash and cash equivalents at the beginning of the financial period	49,942	51,530
Cash and cash equivalents at the end of the financial period	60,597	49,942



## 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 1 Jan 2019	585,394	218,725	74,431,643	-40,354,152	34,881,610
Profit/loss for the financial period	0	0	0	-17,500,394	-17,500,394
<b>Shareholders' equity 31 Dec 2019</b>	<b>585,394</b>	<b>218,725</b>	<b>74,431,643</b>	<b>-57,854,546</b>	<b>17,381,216</b>
Shareholders' equity 1 Jan 2020	585,394	218,725	74,431,643	-57,854,546	17,381,216
Purchase of treasury shares				-214,618	-214,618
Profit/loss for the financial period	0	0	0	-11,067,243	-11,067,243
<b>Shareholders' equity 31 Dec 2020</b>	<b>585,394</b>	<b>218,725</b>	<b>74,431,643</b>	<b>-69,136,408</b>	<b>6,099,354</b>

### Distributable unrestricted shareholders' equity

	31 Dec 2020
Calculation of distributable shareholders' equity	
Invested unrestricted equity fund	74,431,643
Retained earnings	-58,069,164
Profit/loss for the financial period	-11,067,243
	<b>5,295,235</b>

## Principles applied in preparing the financial statements

### Tangible and intangible assets

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

The depreciation periods are as follows:

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

### Investments

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

The values of shares in subsidiaries on 31 December 2020 are based on long-term forecasts and calculations prepared at the Group level.

### Valuation of financial instruments

#### Derivatives

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

#### Pensions

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

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

### Items denominated in foreign currencies

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

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



## Notes to the parent company's income statement

EUR	2020	2019
<b>OTHER OPERATING INCOME</b>		
Administrative service charges	568,738	1,400,785
Other items	1,714	0
<b>Total</b>	<b>570,452</b>	<b>1,400,785</b>
<b>NOTES CONCERNING PERSONNEL AND MEMBERS OF CORPORATE BODIES</b>		
Average number of employees of the parent company in the financial period	2	2
Employees of the parent company at the end of the financial period	2	2
<b>Personnel expenses</b>		
Salaries and bonuses of senior managers and the Board of Directors	-701,639	-1,008,252
Pension expenses	-72,699	-101,947
Other personnel expenses	-10,999	-1,752
<b>Total</b>	<b>-785,337</b>	<b>-1,111,951</b>

The CEO's pension scheme is the normal statutory earnings-related pension. The CEO also has a voluntary supplementary pension scheme, for which a payment of EUR 8.5 thousand was made in 2020 (EUR 8.5 thousand in 2019).

The CEO's notice period is 9 months if the company gives notice and 6 months if the CEO gives notice. If the company dismisses the CEO, the CEO is entitled to severance pay equal to 9 months' salary.

	2020	2019
<b>OTHER OPERATING EXPENSES</b>		
Administrative services	-969,704	-1,063,395
IT expenses	-209,671	-361,255
Administrative expenses	-101,006	-104,316
Impairment of intra-Group trade receivables	-1,498,521	0
Others	-273,191	-147,690
<b>Total</b>	<b>-3,052,092</b>	<b>-1,676,656</b>

	2020	2019
<b>Auditor's fees</b>		
KPMG Oy Ab		
Auditing fees	-72,500	-58,310
Other statutory assignments	0	-2,250
Tax advice	0	-16,197
Other services	-2,000	-2,500
Total auditors' fees	<b>-74,500</b>	<b>-79,257</b>

	2020	2019
<b>DEPRECIATION AND IMPAIRMENT</b>		
Planned depreciation		
Depreciation of intangible rights	-576,197	-136,203
Depreciation of tangible assets	-18,622	-21,294
<b>Total</b>	<b>-594,818</b>	<b>-157,497</b>

	2020	2019
<b>FINANCIAL INCOME AND EXPENSES</b>		
Interest and financial income		
Income from shares in Group companies	99,804	0
Income from other investments in fixed assets	680,967	0
From Group companies	187,627	363,391
From others	66,091	154,883
<b>Total</b>	<b>1,034,489</b>	<b>518,274</b>
Interest and other financial expenses		
To Group companies	-25,827	-51,198
To others	-1,694,983	-1,290,141
Impairment of fixed asset investments *)	-6,515,486	-15,132,008
<b>Total</b>	<b>-8,236,296</b>	<b>-16,473,347</b>

\*) Impairment of the acquisition costs of shares in Digitalist Finland Oy and Grow Ab.



## Notes on members of corporate bodies

EUR	2020	2019
<b>Salaries and bonuses</b>		
Ville Tolvanen, CEO (until 15 March 2019)	0	62,500
Hans Parvikoski, CEO (from 15 March to 31 August 2019)	0	128,600
Petteri Poutiainen, CEO (since 1 September 2019)	300,240	110,000
<b>Board of Directors</b>		
Rosenlew Andreas (chair since 28 June 2018)	50,500	50,000
Ehrnrooth Paul (chair until 28 June 2018)	24,750	24,750
Matikainen, Esa (deputy chair since 17 April 2018)	35,750	39,250
Ekström Bo-Erik (until 2 April 2019)	0	7,500
Eriksson, Peter	24,750	26,500
Pylkäs Pekka	7,853	27,250
Rosendahl Jaana (14 April 2020)	7,853	27,250
Tolvanen Ville (from 2 April 2019 to 14 April 2020)	6,833	19,250
Liljeblad Anders (until 14 April 2020)	7,833	26,000
Olofsson Maria (since 14 April 2020)	16,000	0
<b>Total salaries and bonuses paid to members of corporate bodies *)</b>	<b>482,362</b>	<b>548,850</b>

\*) includes fringe benefits

Salaries and bonuses are presented on an accrual basis.

The CEO has a voluntary supplementary pension scheme (see section 28 of the notes on the Group for more details).



## Notes to the parent company's balance sheet

EUR

Intangible assets	2020	2019
<b>Other long-term expenditure</b>		
Acquisition cost at the beginning of the financial period	350,000	350,000
Acquisition cost at the end of the financial period	350,000	350,000
Accumulated depreciation	-197,987	-124,444
Depreciation during the period	-66,889	-73,542
Accumulated depreciation at the end of the period	-264,876	-197,987
<b>Acquisition cost at the end of the financial period</b>	<b>85,124</b>	<b>152,013</b>
<b>Intangible rights</b>		
Acquisition cost at the beginning of the financial period	2,012,879	1,640,267
Increases during the period	111,356	372,612
Acquisition cost at the end of the financial period	2,124,235	2,012,879
Accumulated depreciation	-1,614,928	-1,573,084
Depreciation during the period	-509,308	-41,844
Accumulated depreciation at the end of the period	-2,124,236	-1,614,928
<b>Acquisition cost at the end of the financial period</b>	<b>0</b>	<b>397,951</b>
<b>Tangible assets</b>	<b>2020</b>	<b>2019</b>
<b>Machinery and devices</b>		
Acquisition cost at the beginning of the financial period	870,175	870,175
Decrease during the period	-9,082	0
Acquisition cost at the end of the financial period	861,093	870,175
Accumulated depreciation	-826,535	-805,241
Depreciation during the period	-18,622	-21,294
Accumulated depreciation at the end of the period	-845,157	-826,535
<b>Acquisition cost at the end of the financial period</b>	<b>15,935</b>	<b>43,639</b>
<b>Other tangible assets</b>		
Acquisition cost at the beginning of the financial period	11,477	11,477
<b>Acquisition cost at the end of the financial period</b>	<b>11,477</b>	<b>11,477</b>
<b>Advance payments and acquisitions in progress</b>	<b>0</b>	<b>72,532</b>
Transfers between items	0	-72,532
<b>Acquisition cost at the end of the financial period</b>	<b>0</b>	<b>0</b>
<b>Investments</b>	<b>2020</b>	<b>2019</b>
<b>Shares in Group companies</b>		
Acquisition cost at the beginning of the financial period	26,070,991.00	42,028,273
Increases during the period	2,515,485.91	0
Decrease during the period	-905,889.41	-956,639
Impairment *	-6,515,485.91	-15,000,643
<b>Acquisition cost at the end of the financial period</b>	<b>21,165,101.59</b>	<b>26,070,991</b>
<b>Other shares and interests</b>		
Acquisition cost at the beginning of the financial period	1,953	1,953
<b>Acquisition cost at the end of the financial period</b>	<b>1,953</b>	<b>1,953</b>

\*) Impairment of the acquisition costs of shares in Digitalist Finland Oy and Grow Ab



## Ownership of other companies

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

\*) Grow Holding AB was merged into its subsidiary Grow AB on 31 May 2020

## Non-current receivables

Receivables from Group companies	2020	2019
Subordinated loan receivables	1,000,000	1,000,000
Other loan receivables	1,291,153	0
<b>Total</b>	<b>2,291,153</b>	<b>1,000,000</b>

## Current receivables

Receivables from Group companies	2020	2019
Trade receivables	4,231,394	5,439,162
Loan receivables	5,693,889	7,310,114
Prepayments and accrued income	811,001	0
<b>Total</b>	<b>10,736,283</b>	<b>12,749,276</b>

Receivables from other companies	2020	2019
Trade receivables	32,818	33,328
Other receivables	27,862	152,843
Prepayments and accrued income	62,693	57,865
<b>Total</b>	<b>123,373</b>	<b>244,036</b>
<b>Total current receivables</b>	<b>10,859,656</b>	<b>12,993,312</b>

Prepayments, accrued income and other receivables	2020	2019
Deferred charges	61,787	57,865
Others	906	0
<b>Total</b>	<b>62,693</b>	<b>57,865</b>



## Notes to the parent company's balance sheet

	2020	2019
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>NON-CURRENT LIABILITIES</b>		
<b>Liabilities to others</b>		
Convertible bond loan	9,209,368	8,671,932
<b>Total</b>	<b>9,209,368</b>	<b>8,671,932</b>
<b>Non-current liabilities</b>	<b>9,209,368</b>	<b>8,671,932</b>
<b>CURRENT LIABILITIES</b>		
<b>Liabilities to Group companies</b>		
Accounts payable	1,272,838	893,124
Loans and liabilities on Group account	1,575,827	639,174
Other liabilities	183	28,894
Accrued expenses and deferred income	45,371	0
<b>Total</b>	<b>2,894,220</b>	<b>1,561,192</b>
<b>Liabilities to others</b>		
Convertible bond loan	8,671,932	0
Financial liabilities	5,440,851	11,363,459
Accounts payable	716,155	647,921
Other current liabilities	77,088	63,250
Accrued expenses and deferred income	1,382,028	1,032,304
<b>Total</b>	<b>16,288,054</b>	<b>13,106,934</b>
<b>Total current liabilities</b>	<b>19,182,274</b>	<b>14,668,126</b>
<b>Accrued expenses and deferred income</b>	<b>2020</b>	<b>2019</b>
Provision for holiday pay	79,727	28,309
Interest accruals	1,124,371	408,063
Salaries and social security expenses	28,577	0
Trading deficits	149,354	595,932
Others	0	0
<b>Total</b>	<b>1,382,028</b>	<b>1,032,304</b>



## Guarantees and contingent liabilities

<b>Liabilities secured by guarantees</b>	<b>2020</b>	<b>2019</b>
Loans from financial institutions	5,277,148	5,277,148
Corporate mortgages	9,800,000	9,800,000
Other loans	6,086,311	6,086,311
Corporate mortgages	3,500,000	3,500,000
Total liabilities	11,363,459	11,363,459
Total corporate mortgages	13,300,000	13,300,000
<b>Leasing liabilities</b>	<b>2020</b>	<b>2019</b>
Leasing liabilities, 12 months	0	9,518
Leasing liabilities, over 12 months	0	15,070
Total leasing liabilities	0	24,588
<b>Rental liabilities</b>	<b>2020</b>	<b>2019</b>
Rental liabilities, 12 months	0	168,600
Total rental liabilities	0	168,600
<b>Securities and guarantees pledged on behalf of Group companies</b>		
	<b>2020</b>	<b>2019</b>
Other guarantees	2,233,673	2,233,673



Signatures to the financial statements and Board of Directors' Report

Helsinki 29/3 2021

Petteri Poutiainen  
CEO

Andreas Rosenlew  
Chair of the Board of Directors

Esa Matikainen  
Deputy chair of the Board of Directors

Paul Ehrnrooth  
Board member

Peter Eriksson  
Board member

Maria Olofsson  
Board member

**Auditors' Note**

An auditor's report has today been issued on the audit performed.

**Helsinki 29/3 2021**

**KPMG Oy**  
Auditing Company

**Esa Kailiala**  
Authorised Public Accountant

*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 2020. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flow and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, cash flow statement and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Board of Directors.

### **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
<b>Group's liquidity and financing arrangements carried out in current financial year (refer to Accounting policies for the consolidated financial statements and notes 21 and 32 to the consolidated financial statements)</b>	

- |   |  |
|---|--|
| — The financial statements have been prepared on a going concern basis, considering the financing arrangements carried out by the company in the financial year 2020, and the 2021 business plan. At the time of publication of the financial statements, the company expects its working capital to be sufficient to cover its requirements over the next 12 months, considering the financing arrangements planned with the main owners | — To assess the sufficiency of financing we analyzed the business plans and cash flow estimates prepared by the company.   |
| — The Group has generated losses in recent years, cash flow from operating activities has been negative and liquidity tight. The Group has carried out several arrangements to strengthen its financial position, create a more sustainable cost structure, and secure liquidity  | — We inspected the financing arrangements carried out during the financial year 2020 and their accounting treatment. Furthermore, we assessed the impacts of the financing arrangements planned with the main owners.  |
| — In accordance with note 21, the financial liabilities and interests falling due within next 12 months totaled EUR 10.2 million at the financial year-end.   | — As part of our year-end audit procedures, we assessed the accuracy of classification of financial liabilities, and considered the adequacy and appropriateness of the disclosures provided on the financial status in the consolidated financial statements. |

**Valuation of goodwill and other intangible assets (refer to the consolidated balance sheet statement of financial position, accounting policies for the consolidated financial statements and note 13 to the consolidated financial statements)**

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- As at 31 December 2020 the goodwill balance was in aggregate EUR 7.5 million after the impairment of goodwill EUR 3.7 million. This represents approximately 38 percent of the consolidated total assets. Other intangible assets totaled EUR 2.7 million comprising other intangible assets of EUR 1.9 million and capitalized development costs of EUR 0.7 million at the financial year-end. Consequently, goodwill and other intangible assets are the most significant individual items in the consolidated balance sheet
- Goodwill is not amortized but is tested at least annually for impairment. In the financial year 2020 the Group prepared goodwill impairment tests on a biannual basis. Other intangible assets are amortized over their useful lives.
- Preparation of impairment tests and determining the useful lives of other intangible assets require management to make judgements and use assumptions. Valuations prepared to support the carrying amount of goodwill and other intangible assets are highly dependent on the Group's future financial performance.
- We evaluated the company's estimation process and analyzed the assumptions used in the impairment tests for the previous year by comparing to actual performance in respect of turnover and profitability.
- Furthermore, we involved KPMG valuation specialists when analyzing the reasonableness of the assumptions underlying the goodwill impairment tests, and the technical accuracy of the impairment model.
- We assessed the useful lives applied on intangible assets.
- 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)**

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- The carrying value of the subsidiary shares in the parent company Digitalist Group Plc's balance sheet amounted to EUR 21.2 million after the impairment of EUR 6.5 million recorded at 31 December 2020. Furthermore, the parent company's intra-group receivables amounted to EUR 13.0 million after the impairment loss of EUR 1.5
- We evaluated the basis for the impairment recorded in the financial statements and analysed the valuation principles of subsidiary shares and intra-group receivables.

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million, and intra-group liabilities EUR 2.9 million as at 31 December 2020.

- Valuation of subsidiary shares and intra-group receivables are highly dependent on the Group's future result development and business model

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#### **Valuation of trade receivables (refer to Accounting policies for the consolidated financial statements and notes 4 and 16 to the consolidated financial statements)**

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- Trade receivables, amounting to EUR 5.4 million as at 31 December 2020 constitute a significant item in the consolidated balance sheet. Regardless of the fact that there are no significant credit losses incurred in the past, there is a valuation risk associated with trade receivables.
- We evaluated monitoring routines for trade receivables and tested the effectiveness of the key internal controls. We also analyzed trade receivables to identify any trade receivables potentially impaired.

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

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

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

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that

is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

### **Other Reporting Requirements**

#### **Information on our audit engagement**

We were first appointed as auditors by the Annual General Meeting on 2 April 2014, and our appointment represents a total period of uninterrupted engagement of 7 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, 29 March 2021

KPMG OY AB

ESA KAILIALA  
*Authorised Public Accountant, KHT*

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