Digitalist

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Financial statements

2019

Contents

Financial period 2019 (figures for 2018 in brackets):

- Net sales EUR 27.4 million (EUR 24.7 million), growth 10.8%.
- EBITDA* EUR –3.7 million (EUR -4.8 million), –13.6% of turnover, (–19.6%)
- EBIT EUR –4,3 million (EUR –6.4 million), –51.4% of turnover (–26.0%).
- Net result EUR –14.7 million (EUR –6.8 million), –53.5% of turnover (–27.6%).
- Earnings per share (diluted and undiluted) EUR –0.02 (EUR –0.01).
- Cash flow from operations EUR –4.8 million (EUR –6.4 million).
- Number of personnel at the end of the review period 246 (270), a reduction of 8.8%.

*The effect of IFRS 16 on the October–December EBITDA is EUR 0.4 million, and on EBIT in the same period EUR –0.00 million; the effect on EBITDA for the review period is EUR 1.5 million, and on EBIT EUR –0.1 million.

The EBIT and net result for the financial period also include a write-down of the company's goodwill of EUR 7 million.

Business operations

Digitalist Group is a creative technology company. It seeks, plans, designs and implements functional user experiences and durable software solutions based on internet, cloud or mobile technologies. Our customers include leading companies from all over the world. We design comprehensive digital solutions for our customers to increase their competitiveness and productivity and to bring them added value and customer loyalty. We are researchers, designers, engineers and strategists from Finland, Sweden, the United Kingdom, Canada and the United States.

Our vision, From Ideas to Life, includes user and usability research, branding services, the planning of strategic and innovative packages, as well as a technology's applicability specification, all the way up to completed implementations. The aim of our services is the in-depth appreciation of changes brought about by digitalisation together with our customers, as well as the shaping and implementation of research-based solutions in the private and public sectors. The acquisition of Grow Holding AB, carried out by the company on 31 May 2018, has made us more strategic, creative and relevant for our customers. It also complements the range of our services and our value proposition.

We provide our customers with digital services based on functional technologies and changes with an impact on our customers' business. High-quality user experiences require the seamless cooperation of user research, branding, design and technology. With its skills in these, Digitalist aims to be an open and active operator.

Our user and usability research services are development programmes built around our LeanLab products and made up of individual and group interviews of target groups, as well as online survey services, with the target groups covering both end customers and a customer's own personnel. This specification research helps our customers find key features and solutions on how to implement them in their end product or service. As support for development work, we carry our versatile usability research which ensures that the outcome, right up to its details, provides our customers with a significant competitive edge both qualitatively and in terms of time.

Our branding service develops our customers' marketing and customer experiences. The activity is based on identifying trends and changing customer needs, and on implementing the ideas derived from these to increase the customer's business and value.

Our design services cover digital, mobile and web design, as well as service and industrial design. The services range from design strategy and user research to visual and interactive design, all the way up to workshops, prototype design and usability research. We implement all our design innovations for various terminal devices and platforms, always pursuing the best possible implementation at the time desired by the customer.

In technology services, we have in-depth skills in developing creative software services for devices, embedded systems and software. We take advantage of open, standardised technologies (such as Java, Linux, Android, iOS, .Net) and partner up with selected technology partners (including IBM, Salesforce and Maxicaster). This is how we integrate our technology skills in world-class design, in-depth user interface and usability design, as well as first-rate project management. This combination provides the company with a significant competitive edge. Our technology skills cover both software and hardware (mobile, wireless connectivity and online services and devices).

The Group's head office is located in Helsinki. In addition to Finland, the company has substantial business operations in Sweden, Canada, the United States and the UK.

The year 2019

The turnover of Digitalist Group grew in 2019. The company continued to grow internationally and turnover outside of Finland in 2019 accounted for 73% (62%) of the total. The growth at the beginning of the financial period was boosted especially by the acquisition of Grow Holding AB in 2018. Located in five different countries, the studios of Digitalist Group focus on different areas of expertise, and the experts working in them specialise in everything from strategy and brand design to design and technology. We combine the skills required for each of our customer projects from our studios operating in various countries.

Digitalist Group aims to help our customers provide their target groups with top-notch customer experiences. Our innovative services give Digitalist Group a competitive edge on the markets were more and more businesses are becoming aware that positive customer experiences are one of the most central competitive advantages and that company brands are built through the customer experience. Our assignments are often extensive – we may even help businesses create entirely new business models. We combine the skills required for each of our customer projects from our studios operating in various countries.

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

In addition to consulting, Digitalist Group has new business areas that will be receiving more attention in the future. These include the Ticknovate ticketing system, the LeanLab collaboration platform, the Experience Store content platform and the Smart and Sustainable Packaging solution.

The company's CEO changed during the first quarter as Ville Tolvanen stepped down on 15 March. Hans Parvikoski worked as temporary CEO until Petteri Poutiainen started as CEO at the beginning of September.

We worked hard in 2019 to improve our profitability and to harmonise our operating models and culture. During the second quarter, the Group carried out a programme to improve its operational efficiency, which included cooperation negotiations concerning the Group management, sales, support functions, project management and personnel in supervisory positions, as well as the concentration of Finnish operations in Helsinki. At the end of the year, we went through cooperation negotiations that resulted in the decision to close down our offices in Kemi, Oulu and Tampere. The restructuring and improved organisational efficiency are expected to bring savings of EUR 1.4 mllion at Group level.

Improved profitability and the harmonisation of operating models and culture will continue to be key gols during the 2020 financial year. Profitable growth, the enhancement of processes in terms of completed corporate acquisitions, as well as the crystallisation of the company's strategy and key messages, still require special attention and specifications. In 2020, Digitalist Group will be more ready to respond to its customers' rapidly changing needs as the customer experience becomes a major strategic business resource in all markets. Digitalist Group's high-quality expertise and solutions put it in an excellent position to meet this change.

During the operating year, Digitalist Group employed 261 experts on average. They work in five countries and represent more than 30 nationalities.

Annual General Meeting of 2 April 2019 and the Board of Directors' authorisations

The Annual General Meeting of Digitalist Group Plc held on 2 April 2019 adopted the financial statements for the period ended on 31 December 2018 and discharged the members of the Board of Directors and the CEO of liability for the financial period ended on 31 December 2018. In accordance with the Board of Directors' proposal, the Annual General Meeting decided that no dividend be paid for 2018.

The Annual General Meeting resolved that the Board of Directors be made up of eight members. Paul Ehrnrooth, Peter Eriksson, Anders Lilljeblad, Esa Matikainen, Pekka Pylkäs, Jaana Rosendahl, Andreas Rosenlew and Ville Tolvanen were elected as Board members.

The Annual General Meeting decided that Board members be paid the following remuneration: EUR 40,000 a year and EUR 500 per meeting for the Chair; EUR 30,000 a year and EUR 250 per meeting for the Deputy Chair; EUR 20,000 a year and EUR 250 per meeting for other members of the Board of Directors. The remuneration for the meetings of the Board's committees is EUR 500 per meeting for the Chair and EUR 250 per meeting for other members.

The audit firm KPMG Oy Ab was selected as the company's auditor, with Esa Kalliala, CPA, acting as the principal accountant appointed by the audit firm. The Annual General Meeting resolved to pay the auditor's fee according to a reasonable invoice.

The Annual General Meeting authorised the Board of Directors to decide on a share issue against payment and the issue of option rights and other special rights carrying an entitlement to shares pursuant to Chapter 10, section 1 of the Limited Liability Companies Act or a combination of all or some of the above in one or more instalment according to the following terms and conditions:

The maximum number of new shares issued pursuant to the authorisation may be 325,511,370 shares, which corresponds to 50% of the company's total shares at the time when the invitation to the Annual General Meeting was sent. The Board of Directors was given the right to decide, within the framework of the aforementioned authorisation, on the terms of the share issue and any special rights carrying an entitlement to shares, including the possibility to pay for the subscription price not only in cash but by setting off any receivable the subscriber may have from the company.

The Board of Directors is authorised to decide on crediting the subscription price to the share capital or, in part or in full, to the reserve for invested unrestricted equity.

A share issue or the issue of special rights carrying an entitlement to shares may also take place in a directed manner derogating from a shareholder's pre-emptive right, provided that there is a weighty reason for the company to do so pursuant to the Limited Liability Companies Act. In such a case, the authorisation may be used to finance corporate acquisitions or other investments falling under the scope of the company's business operations or to maintain and increase the Group's solvency or to implement an incentive scheme.

The authorisation is valid until the Annual General Meeting to be held in 2020, although no longer than until 30 June 2020.

Authorising the Board of Directors to decide on the acquisition of own shares:

The Annual General Meeting authorised the Board of Directors to decide on the acquisition of a maximum of 65,102,000 own shares, or on their acceptance as pledge, with the company's distributable funds. This corresponds to approximately 10% of the company's total shares at the time when the invitation to the Annual General Meeting was sent. The acquisition may take place in one or more batches. The acquisition price of the shares is the maximum price paid for the shares in public trading on the acquisition date. The execution of the acquisition of own shares may involve the conclusion of conventional derivative, share borrowing or other contracts on capital markets within the confines of the law and regulations. The authorisation gives the Board of Directors the right to decide on the acquisition in a proportion other than that of the shares held by the shareholders (directed acquisition).

The shares may be acquired for use in corporate acquisitions or for executing other arrangements falling within the scope of the company's business operations, for improving the structure of the company's financing or for a cancellation or transfer in some other manner.

The authorisation includes the Board of Directors' right to decide on all other aspects related to the acquisition of shares. The authorisation is valid until the Annual General Meeting to be held in 2020, although no longer than until 30 June 2020.

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

Offices

Our offices are located in our main market areas in Finland, Sweden, the United States, Canada and the UK. All offices are staffed with both technology and design experts, as well as a local sales organisation.

Segments

Digitalist Group reports its business as one segment.

Turnover

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

Result

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

Return on equity

The Group's equity totalled EUR –8.3 million (EUR 7.0 million). Return on equity (ROE) was negative. Return on investment (ROI) was –69.4% (–31.7%).

Investments

Investments during the financial period totalled EUR 1.8 million (EUR 7.3 million). The investments consisted mainly of expenses related to a system project and a product development project. The research and development costs capitalised on the balance sheet at the end of the financial period amounted to EUR 1.4 million (EUR 0.5 million). The product development costs related to the development of the Ticknovate product, released in the autumn of 2018. The investments of the previous financial period included business acquisitions.

Balance sheet and financing

The balance sheet total was EUR 26.2 million, down from EUR 32.2 million in 2018. The reduction was mainly due to the write-down of goodwill (EUR –7 million). Shareholders' equity totalled EUR –8.3 million (EUR 7.0 million). The equity ratio was –31.8% (21.8%). At the end of the financial period, the Group had EUR 0.8 million (EUR 0.3 million) of liquid assets.

The negative result and a write-down of goodwill had a negative impact on the company's equity during the financial period.

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

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

Cash flow

Consolidated cash flow from operations during the financial period was EUR –4.8 million (EUR –6.4 million), a change of EUR +2.1 million. Negative cash flow is due to thenegative resultd.

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

Goodwill

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

Personnel

The average number of employees during the financial period was 261 (258), and at the end of the period, 246 (270). At the end of the financial period, 91 (119) persons were employed by the Group's Finnish companies and 155 (151) persons by its foreign companies. During the financial period, the number of employees reduced by 24 people, mainly as a result of the cooperation negotiations conducted in Finland.

Shares and share capital

Share turnover and price

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

Share capital

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

Option programmes 2019 and 2016

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

Shareholders

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

Related party transactions

Financing arrangements with related parties

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

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

Digitalist Group Plc agreed with Tremoko Oy Ab on the conversion of interest of about EUR 258,000 on a bond subscribed to by Tremoko Oy Ab, maturing on 30 June 2019, into a separate loan. The loan's conditions are market-based, and it originally matured on 31 December 2019. (B)

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

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

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

On 28 November 2019, Digitalist Group Plc agreed a short-term loan of EUR 1,000,000 with Turret Oy Ab and on a short-term loan of EUR 1.0 million with Holdix Oy Ab. The terms of the loans are market-based, and they will mature on 13 March 2020.

On 28 November 2019, Digitalist Group and Turret agreed to postpone the due dates of the principals and interests of the company's short-term loans from Turret amounting to approximately EUR 3.9 million, and the due date of the interest (which was to fall due on 31 December 2019) of a long-term convertible bond with a principal amounting to approximately EUR 5.78 million so that the new due date is 13 March 2020.

On 28 November 2019, Digitalist Group and Holdix agreed to postpone the due dates of the principal and interests of the company's short-term loan from Holdix, the principal amounting to approximately EUR 90,000, and the due date of the interest (which was to fall due on 31 December 2019) of a long-term convertible bond with a principal of approximately EUR 2.89 million so that the new due date is 13 March 2020.

Changes in related party shareholdings

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

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

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

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

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

Events after the financial period

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

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

Risk management and short-term uncertainties

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

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

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

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

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

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

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

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

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

Corporate governernance system

The governance of Digitalist Group Plc complies with the Finnish Limited Liability Companies Act (624/2006, including amendments) and Securities Markets Act (746/2012, including amendments), the Market Abuse Regulation (EU) No. 596/2014 (MAR), the rules and regulations pertaining to listed companies issued by the Nasdaq Helsinki and with Digitalist Group Plc's Articles of Association. In addition, the company's governance complies with the Finnish Corporate Governance Code in terms of the recommendations which took effect on 1 January 2020. The Corporate Governance Statement required by the Corporate Governance Code for listed companies is provided as a separate appendix to the Board of Directors' Report and was published on 28 February 2020. The Corporate Governance Statement is available on the company's website. The Insider Guidelines pursuant to the Market Abuse Regulation (EU) No. 596/2014 have been issued separate from the Board of Directors' Report in September 2018 The guidelines are available on the company's website.

Parent company

The parent company Digitalis Group Plc did not have turnover in 2019 or 2018. The operating result was EUR –1.5 million (EUR –1.6 million). The result for the financial period showed a loss of EUR –17.5 million (EUR –3.4 million). A write-down of subsidiary shares in the amount of EUR 15 million (EUR 2 million) had an impact on the result for the financial period.

The balance sheet total was EUR 40.7 million (EUR 49.4 million). Shareholders' equity totalled EUR 17.4 million (EUR 34.9 million). The equity ratio was 43.1% (71.8%). At the end of the financial period, the parent company had EUR 0.05 million (EUR 0.1 million) of liquid assets.

The average number of employees during the financial period was 3 (3), and at the end of the period, 2 (2). Salaries and remuneration totalled EUR 1.0 million (EUR 0.9 million), pension costs EUR 0.1 million (EUR 0.1 million) and other indirect employee costs EUR 0.0 million (EUR 0.0 million). Personnel expenses amounted to EUR 1.1 million (EUR 1.0 million), which represented approximately 37.7% (22.2%) of operating expenses.

Cash flow from operations during the financial period was EUR –6.9 million (EUR –6.9 million).

Future outlook

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

Board of directors' proposal to the annual general meeting

The Board of Directors of Digitalist Group Plc proposes to the Annual General Meeting (AGM) that the distributable funds be left in the shareholders' equity and that no dividend be distributed to the shareholders for the financial period 2019. On 31 December 2019, the distributable funds of the parent company were EUR 16,557,097.

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

Consolidated key figures

	IFRS 1.1.-31.12.2019	IFRS 1.1.-31.12.2018	IFRS 1.1.-31.12.2017	IFRS 1.1.-31.12.2016	IFRS 1.1.-31.12.2015
Turnover, EUR 1,000	27 401	24 737	20 000	15 256	17 001
Turnover, change %	10,8 %	23,7 %	31,1 %	-10,3 %	-29,0 %
EBITDA (*, EUR 1,000	-3 716	-4 845	-3 985	-7 231	-7 392
% of turnover	-13,6 %	-19,6 %	-19,9 %	-47,4 %	-43,5 %
Operating profit/loss, EUR 1,000	-14 087	-6 432	-4 899	-7 736	-8 702
% of turnover	-51,4 %	-26,0 %	-24,5 %	-50,7 %	-51,2 %
Profit/loss before taxes, EUR 1,000	-14 998	-7 063	-7 173	-9 547	-5 656
% of turnover	-54,7 %	-28,6 %	-35,9 %	-62,6 %	-33,3 %
Balance sheet total, EUR 1,000	26 800	32 222	25 027	16 095	18 347
Return on equity, % (*	neg	neg	neg	neg	neg
Return on investment, %t (*	-69,4 %	-28,3 %	-36,5 %	-70,1 %	-29,9 %
Interest-bearing liabilities, EUR 1,000	26 866	16 299	11 483	12 525	10 685
Financial assets, cash and cash equivalents, EUR 1,000	787	314	1 366	422	1 901
Net gearing (*	-313,4 %	227,2 %	184,8 %	-288,0 %	324,4 %
Equity ratio (*	-31,7 %	21,8 %	21,9 %	-26,1 %	14,8 %
Investments, EUR 1,000	1 847	7 363	7 035	657	1 477
% of turnover	6,7 %	29,8 %	35,2 %	4,3 %	8,7 %
Average number of personnel	261	258	203	188	217
Average number of personnel at the end of the period	246	270	240	174	200

Key figures on shares

	1.1.-31.12.2019	1.1.-31.12.2018	1.1.-31.12.2017	1.1.-31.12.2016	1.1.-31.12.2015
Earnings per share, diluted, EUR and (**	-0,02	-0,01	-0,02	-0,03	-0,05
Earnings per share, undiluted, EUR and (**	-0,02	-0,01	-0,02	-0,03	-0,05
P/E ratio (**	neg	neg	neg	neg	neg
Share price at the end of the period, EUR	0,05	0,05	0,07	0,10	0,07
Number of shares, adjusted for issue, average (**	651 022 746	609 376 504	384 459 880	353 564 898	194 418 208
Number of shares, at the end of the period	651 022 746	651 022 746	553 824 346	353 564 898	353 564 898
Number of shares, adjusted for option dilution and issue, average (**	651 022 746	609 376 504	384 459 880	454 281 622	194 418 208
Dividend per earnings, %	0,00 %	0,00 %	0,00 %	0,00 %	0,00 %
Dividend per 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 %
Equity per share, EUR	–0,01	0,01	0,01	–0,01	0,01

*) Digitalist Group presents alternative key figures in order to supplement its consolidated financial statements compiled in accordance with IFRS standards. The purpose of these key figures is to measure growth and to describe the economic performance of the company. "The Group has applied the Guidelines on Alternative Performance Measures by the European Securities and Markets Authority (ESMA), in force since 3 July 2016."

**) The number of shares and earnings per share in 2017 have been affected by the acquisition of Interquest Oy and NodeOne AB, and in 2018 the acquisition of the Grow Group and the conversion of the convertible bond and rights issues.

Return on investment, %

	2019	2018	2017	2016
Result before taxes	-14 998	-7 063	-7 173	-9 547
Financial expenses	-1 994	-1 364	-2 555	-1 045
Balance sheet total Q4 2016				16 095
Balance sheet total Q4 2017			25 027	
Balance sheet total Q4 2018		32 222		
Balance sheet total Q4 2019	26 280			
Non-interest-bearing liabilities Q4 2016				7 769
Non-interest-bearing liabilities Q4 2017			8 071	
Non-interest-bearing liabilities Q4 2018		8911		
Non-interest-bearing liabilities Q4 2019	7 735			
Return on investment, %	**-69,4 %**	**-28,3 %**	**-36,5 %**	**-70,1 %**

Calculation of key figures

Operating profit/EBITDA = Earnings before interest, taxes, depreciation and amortizations

$$\text{Return on equity} = \frac{\text{Profit for the period}}{\text{Equity (average)}} \times 100$$

$$\text{Return on investment} = \frac{\text{(Profit before tax + financial expenses)}}{\text{Balance sheet total – non-interest-bearing liabilities (average)}} \times 100$$

$$\text{Equity ratio} = \frac{\text{Shareholders' equity total}}{\text{Balance sheet total – advances received}} \times 100$$

$$\text{Net gearing} = \frac{\text{Interest-bearing liabilities – Liquid assets}}{\text{Shareholders' equity total}}$$

$$\text{Diluted earnings per share} = \frac{\text{Profit for the period, attributable to equity holders of the parent company}}{\text{Number of shares, adjusted for issues and for option dilution, average}}$$

$$\text{Equity per share} = \frac{\text{Equity attributable to equity holders of the parent}}{\text{Number of shares on the closing date}}$$

$$\text{Dividend/earnings} \quad \frac{\text{Dividends for the period}}{\text{Profit for the period}}$$

$$\text{P/E ratio} = \frac{\text{Share price at the end of the period}}{\text{Diluted earnings per share}}$$

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

Dilution = Number of shares, plus allocated options – Number of shares obtainable at the exercise price for options according to the turnover-weighted average price

Information about shares, shareholders and options

Shares

Share capital and shares
The share capital of Digitalist Group Plc on 31 December 2019 was EUR 585,394.16.

Noteeraukset pörssissä

Digitalist Group Plc is listed on Nasdaq OMX Helsinki. The company has one listed series of shares: DIGIGR.

	2019	2018	
Share subscription price at listing on 1 October 1999	5,75	5,75	EUR
Highest share price during the period	0,08	0,10	EUR
Lowest share price during the period	0,04	0,04	EUR
Closing price 31 Dec	0,05	0,05	EUR
Market value on 31 Dec	29 296 024	30 598 069	EUR
Exchange of shares 1 Jan –31 Dec	483 610 063	15 294 061	shares
	1 054 808	1 054 808	EUR
Average price, 1 Jan–31 December (‘	0,05	0,07	EUR
Exchange of shares, adjusted for issues on 31 Dec (*	74,3 %	2,4 %	
Number of shares, adjusted for dilution and issues on 31 Dec (*	651 022 746	609 376 504	shares
Number of shares, adjusted for issues on 31 Dec (*	651 022 746	651 022 746	shares
Number of shares on 31 Dec	651 022 746	651 022 746	shares

*) The number of shares and earnings per share in 2018 have been affected by the acquisition of the Grow Group and the conversion of the convertible bond and rights issues.

Information about shares, shareholders and options

Ownership of shares

	Shares, pcs	% of shares	Owners, pcs
Private persons	56 960 147	8,75 %	3 935
Corporations	594 062 599	91,25 %	138
Total	**651 022 746**	**100,00 %**	**4 073**

Corporations		
Companies	390 922 294	60,05 %
Financial and insurance institutions	201 570 266	30,96 %
Public entities	1 514 478	0,23 %
Non-profit organisations	502	0,00 %
Foreign holdings	55 059	0,01 %
Total	**594 062 599**	**91,49 %**
of which nominee shareholding	29 404 442	4,52 %

Major shareholders

	Shares, pcs	% 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
Niclas Engsäll 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 Ferdinard	4 549 962	0,70
Elsa Victorin Ab	4 508 421	0,69
Sjöblom Katri	3 477 841	0,53
Idl Studio Ab	3 034 444	0,47
Liselott Tingvall Holding Ab	3 034 444	0,47
Ritanen Eero Juhani	2 787 000	0,43
Karisma-Invest Oy	2 588 557	0,40
Lombard International Assurance S.A	1 832 931	0,28
Hämäläinen Kari Heikki Kristian	1 690 000	0,26
Mäki Tuomas	1 664 511	0,26
Elo Keskinäinen Työeläkevakuutusyhtiö	1 514 478	0,23
4capes Oy	1 500 000	0,23
Rapeli Marko	1 367 895	0,21
Others	75 587 476	11,61
Total (*	**651 022 746**	**100 %**

Distribution of the shares

	Shareholders	% of shares	Shares	% of shares
1–100 shares	712	17,48 %	32 068	0,01 %
101–1,000 shares	1 206	29,61 %	624 242	0,10 %
1,001–10,000 shares	1 533	37,64 %	6 442 874	0,99 %
10,001–100,000 shares	527	12,94 %	16 018 663	2,46 %
100,001–1,000,000 shares	68	1,67 %	18 491 087	2,84 %
More than 1,000,000 shares	27	0,66 %	609 413 812	93,61 %
Total	**4 073**	**100,00 %**	**651 022 746**	**100,00 %**

Share holdings and option rights of the management

	Ownership 2019	No. of votes, %	Ownership 2018
Shareholding of the CEO and Board of Directors	518 994 819	79,72 %	519 494 819
Option rights of the CEO and Board of Directors	1 627 500	0,25 %	1 500 000

Consolidated statement of comprehensive income (IFRS)

EUR 1,000	Note	1.1.-31.12.2019	1.1.-31.12.2018
Turnoves	**2,4**	**27 401**	**24 737**
Other operating income	5	111	155
Materials and services	6	–3 826	–2 274
Employee benefit costs	7	–21 145	–19 641
Depreciation and amortisation	9	–3 371	–1 588
Goodwill impairment	9,13	–7 000	0
Other operating expenses	10	–6 257	–7 821
Expenses total		–41 599	–31 324
Operating profit		**–14 087**	**–6 432**
Financial income		1 083	734
Financial expenses		-1 994	–1 364
Total financial income and expenses	11	-911	-631
Profit before tax		**-14 998**	**–7 063**
Income taxes	12	336	235
Profit for the period		**–14 662**	**–6 828**
Attributable to			
Equity holders of the parent		–14 662	–6 828
Earnings per share, undiluted, EUR	25	–0,02	–0,01
Number of shares, undiluted, on 31 Dec.	25	651 022 746	651 022 746
Earnings per share, diluted, EUR	25	–0,02	–0,01
Number of shares, adjusted for dilution and issues, on 31 Dec	25	651 022 746	651 022 746

Statement of comprehensive in come (IFRS)

EUR 1,000	1.1.-31.12.2019	1.1.-31.12.2018
Profit for the period	**-14 662**	**-6 828**
Other comprehensive income		
Change in translation difference	-541	-345
Comprehensive income for the period	-15 203	-7 173
Comprehensive income attributable to		
Equity holders of the parent	-15 203	-7 173

Consolidated balance sheet (IFRS)

EUR 1,000	Note	31.12.19	31.12.18
Assets			
Non-current assets			
Goodwill	13	10 934	18 059
Other intangible assets	13	4 903	5 282
Tangible assets	14	3 050	553
Other investments	14	2	2
Advance payments and construction in progress	14	846	73
Accounts receivable	4,16	0	0
Total non-current assets		**18 889**	**23 896**
Current assets			
Trade receivables	4,16	5 437	7 209
Other receivables	16	1 167	802
Cash and cash equivalents	17	787	314
Total current assets		**7 391**	**8 326**
Assets total		**26 280**	**32 222**

EUR 1,000	Note	31.12.19	31.12.18
Shareholders equity and liabilities			
Equity			
Equity attributable to equity holders of the parent			
Share capital	18	585	585
Share premium reserve	18	219	219
Invested non-restricted equity fund	18	73 185	73 185
Retained earnings		-67 648	-60 134
Profit for the period		-14 662	-6 828
Total equity attributable to equity holders of the parent		**-8 321**	**7 027**
Shareholders equity total		**-8 321**	**7 027**
Non-current liabilities			
Financial liabilities	20,21	12 851	11 664
Deferred tax liabilities	15,20	672	982
Total of non-current liabilities		**13 523**	**12 646**
Current liabiities			
Trade payables	22	2 176	1 861
Financial liabilities	21,22	14 015	4 620
Tax liabilities based on taxable income for the financial year	22	59	-14
Other liabilities	22	4 828	6 083
Total current liabilities		**21 078**	**12 549**
Total equity and liabilities		**26 280**	**32 222**

Consolidated statement of cash flows

EUR 1,000	Note	1.1.-31.12.2019	1.1.-31.12.2018
Cash flow from operations			
Profit for the period before taxes		-14 998	-7 063
Adjustment to cash flow from operations			
Other income and expenses, no cash transactions			
Depreciation and amortisation	9	10 371	1 587
Other adjustments		-489	165
Financial income and expenses	11	911	631
Net cash generated before working capital changes, interests and tax		-4 205	-4 680
Change in working capital	23	-593	-1 343
Interest received	11	0	16
Interest paid	11	-3	-341
Income taxes paid	12	-17	-27
Net cash flow from operating activitiesa		**-4 818**	**-6 375**
Cash flow from investments			
Acquisition of subsidiaries, net of cash acquired	3		198
“Investment in tangible and intangible assets”	13,14	-1 045	-848
Net cash flow from investing activities		**-1 045**	**-650**
Cash flow before financing		**-5 864**	**-7 026**
Cash flow from financing activities			
Increase in long-term borrowing	20,21	392	3 827
Increase in short-term borrowing	21	7 502	4 400
Repayment of short-term borrowings	21	-33	-2 550
Expenses for equity procurement			-19
Proceeds from rights issues			400
Financial lease payments		-1 525	-84
Net cash flow from financing activities		**6 336**	**5 974**
Change in cash and cash equivalents		**473**	**-1 052**
Cash and cash equivalents at the beginning of the period	17	314	1 366
Cash and cash equivalents at the end of the period	17	787	314

Consolidated statement of changes in equity

EUR 1,000	Share capital	Share premium reserve	Invested non-restricted equity fund	Translation difference	Retained earnings	Total	Non-controlling interest	Total equity
Shareholders' equity 1 Jan 2018	585	219	64 457	757	-60 545	5 473	0	5 473
Other changes			0		-2	-2	0	-2
Comprehensive income for the period					-6 828	-6 828		-6 828
Translation difference				-345		-345		-345
Total comprehensive income for the period						-7 173		-7 173
Transactions with shareholdersv								
Rights issue			2 000			2 000		2 000
Share issue			6 748			6 748		6 748
Expenses for equity procurement			-19			-19		-19
Share-based remuneration					0	0		0
Shareholders' equity 31 Dec 2018	585	219	73 186	412	-67 375	7 027	0	7 027

EUR 1,000	Share capital	Share premium reserve	Invested non-restricted equity fund	Translation difference	Retained earnings	Total	Non-controlling intterest	Share-holders' equity total
Shareholders' equity 1 Jan 2019	585	219	73 186	412	-67 375	7 027	0	7 027
Profit for financial period					-14 662	-14 662		-14 662
Translation difference				-686		-686		-686
Comprehensive income for the period						-15 539		
Transactions with shareholders								
Share-based remuneration					-145	-145		-145
Shareholders' equity 31 Dec 2019	585	219	73 186	-274	- 82 182	-8 321	0	-8 321

1. Accounting principles for the consolidated financial statements

Basic information on the Group

Digitalist Group Plc is a Finnish public limited company, founded in accordance with the laws of Finland and domiciled in Helsinki. The shares of the parent company, Digitalist Group Plc, have been listed on NASDAQ OMX Helsinki since 1999.

The consolidated financial statements are available at the Internet address www.digitalist.global and in the head office of the Group's parent company at the address Arkadiankatu 2, Helsinki.

Digitalist Group is a creative technology company. It seeks, plans, designs and implements functional user experiences and durable software solutions based on Internet, cloud or mobile technologies. Our customers include leading companies from all over the world. We design comprehensive digital solutions for our customers to increase their competitiveness and productivity and to bring them added value and customer loyalty.

We are researchers, designers, engineers and strategists from Finland, Sweden, the United Kingdom, Canada and the United States.

Approval of the Board of Directors

The Board of Directors has adopted the financial statements to be published on 28 February 2020. According to the Finnish Limited Liability Companies Act, shareholders have the opportunity to adopt or reject the financial statements at the Annual General Meeting held after their publication. The Annual General Meeting also has the right to make a decision to change the financial statements.

Basis of preparation

The consolidated financial statements of Digitalist Group have been prepared in accordance with International Financial Reporting Standards (IFRS), observing the IAS and IFRS standards in force on 31 December 2019, and the SIC and IFRIC interpretations. International standards refer to standards and interpretations of standards, implemented by the Finnish Accounting Act and the statutes based thereon, for application in the EU in accordance with the procedure laid down in EU regulation (EC) No. 1606/2002. Notes to the consolidated financial statements also satisfy the requirements of Finnish provisions on accounting and corporate legislation supplementing the IFRS regulations.

Going concern

These financial statements have been prepared in line with the principle of going concern, taking into account the financing arrangements executed by the company in the 2019 financial period and the business forecast for 2020 The forecasts take into consideration probable and foreseeable changes in future expectations for revenues and costs.

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

The accounting data of the Group are presented with an accuracy of a thousand euros and the accounting data of the parent company with an accuracy of one euro, unless stated otherwise. The figures are based on the original acquisition costs, with the exception of financial assets recorded at fair value in profit or loss.

New and amended standards applied during the completed financial period

From the beginning of 2019, Digitalist Group has observed the following new and amended standards currently in force:

- **IFRS 16 *Leases***
  - As of 1 January 2019, the Group has applied the IFRS 16 standard on leases. The new standard replaces the IAS 17 standard and the interpretations relating to it. IFRS 16 Leases lays down the requirements for representing and valuing leases and for the lease-related information presented in the financial statements On the start date of a lease, the lessee records the lease agreement on the balance sheet as a right-of-use item and a lease liability. The lessee must enter interest expenses and depreciation according to plan on the asset item. The lessee must also redetermine the amount of the lease liability in connection with certain events (such as a change in the lease period or a change in lease payments resulting from index increases). The introduction of the standard does not have a major impact on the accounting of lessors.
  - Digitalist Group has applied the modified retrospective approach to the adoption of the IFRS 16 standard, where comparative figures are not restated. The cumulative effect of the adoption of IFRS 16 has been entered as an adjustment in the opening balance for 2019. The Group has taken advantage of the allowances granted by the IFRS 16 standard, according to which lease agreements of less than 12 months in duration or under USD 5,000 in value are not recorded. The Group does not act as a lessor.
  - The most notable effect of the introduction of the IFRS 16 standard is that Digitalist records right-of-use assets and debts on the balance sheet that, under the previous standard, used to be lease agreements external to the balance sheet. These agreements mainly concerned premises. The nature of the costs related to these leases has also changed, as IFRS 16 replaces rental cost with depreciation of the right-of-use asset item and an interest expense resulting from a lease liability, which is reported as a financial cost. The effect of the change on the balance sheet is presented in Note X.

- **IFRIC 23 Uncertainty over Income Tax Treatments**
  - The interpretation clarifies the accounting in a situation in which the tax treatment of an entity awaits the approval of the tax authorities. It is essential to assess whether the tax authority will approve the decision made by the entity. In judging this, it is assumed that the tax authority has access to all relevant information when evaluating the decision. The adoption of the standard has not had a material impact on the Group.

- **Amendments to IFRS 9 *Prepayment Features with Negative Compensation***
  - The amendments enable the valuation of some prepayable financial instruments with so-called negative compensation at amortised cost. The adoption of the standard has not had a significant impact on the Group.

- **Annual Improvements to IFRS Standards *2015–2017 Cycle* (effective for periods beginning on or after 1 January 2019)**
  - The annual improvements process provides a mechanism for dealing efficiently with a collection of minor non-urgent amendments to IFRSs. The amendments relate to the IFRS 3, IFRS 11, IAS 12 and IAS 23 standards. The adoption has not had a significant impact on the Group.

New and amended standards and interpretations to be applied in financial periods to come

Digitalist Group has not introduced the following new or amended standards and interpretations already published by the IASB. The Group will adopt each standard and interpretation on the effective date or, if the effective date is not the first day of a financial year, at the beginning of the next financial period.

* = The provision has not been adopted for implementation within the EU by 31 December 2019.

- **Amendments to References to the Conceptual Framework in IFRS Standards** (effective for periods beginning on or after 1 January 2020)
  - The amended framework sets out the fundamental concepts of financial reporting used by IASB in the standards introduced in recent years. The conceptual framework mainly serves the IASB as a tool in developing standards and supports the IFRS Interpretations Committee in its interpretations. The framework does not annul the requirements of individual IFRS standards.
  - **Amendments to IFRS 3 *Definition of a Business*** (effective for financial periods beginning on or after 1 January 2020)
  - The amendments narrowed and clarified the definition of a business. They also allow making a simplified evaluation of whether a company has acquired a group of assets, rather than a business.
  - **Amendments to IAS 1 and IAS 8 *Definition of Material*** (effective for financial periods beginning on or after 1 January 2020))
  - The amendments clarify the definition of 'material' and contain guidance on the coherent application of the concept in all IFRSstandards. The explanations relating to the definition have also been improved.
  - **Amendments to IFRS 9, IAS 39 and IFRS17: *Interest Rate Benchmark Reform*** (effective for financial periods beginning on or after 1 January 2020))
  - The amendments bring temporary reliefs to the documentation requirements for hedge accounting in situations directly affected by IBOR. Due to these reliefs, hedge accounting will not end due to the impacts of the IBOR reform.

Consolidation principles

The consolidated financial statements include the parent company Digitalist Group Plc and all subsidiaries in which the parent company directly or indirectly holds more than 50 per cent of the votes, or which it otherwise controls.

Mutual share ownership between Group companies has been eliminated through the acquisition method. Acquired subsidiaries are integrated in the consolidated financial statements from the moment the Group obtains control and all released subsidiaries until the control ends. All transactions, receivables, liabilities and unrealised profits within the Group, as well as internal profit distribution, are eliminated when preparing the consolidated financial statements. The assets and liabilities of the acquired company are appreciated at their fair value at the time of acquisition, and the remaining part of the difference between the acquisition price and the fair value of net assets is goodwill.

Changes in group structure

During the accounting period 2019, the company acquired the entire share capital of Grow Holding Ab and Grow Nine Ab in May. Interquest Oy and Cresense Oy merged with Digitalist Finland Oy in December 2018.

Segment reporting

Digitalist Group reports its business as one segment.

Foreign currency items

The figures concerning the result and financial position of the units of the Group are determined in the currency of the main operating environment of each unit ("functional currency"). The consolidated financial statements are presented in euros, which is the functional and presentation currency of the parent company of the Group.

Foreign currency transactions are recorded in the functional currency, using the exchange rate prevailing on the transaction dates. Monetary items in foreign currencies are translated into the functional currency, using the exchange rates on the closing date. Non-monetary items that are denominated in a foreign currency and measured at fair value are translated into the functional currency, using the exchange rates on the valuation date. Other non-monetary items are valued at the exchange rate on the transaction date.

Gains and losses resulting from transactions in a foreign currency and from the translation of monetary items are recognized as financial items in the income statement. Foreign exchange gains and losses related to business operations are included in the corresponding items above the operating profit.

The profit and loss items in the income statements of the foreign Group companies have been translated to euros, using the average rate for the current month, and the balance sheets by using the rates of the closing date. Changing the profit of the financial period and the comprehensive result with various exchange rates in the statement of income, in the statement of comprehensive income, and the balance sheet causes a translation difference to the equity, which is recognized in the other comprehensive income items.

Goodwill

Goodwill equals any excess of the cost of the acquisition which exceeds the Group's share of the net fair value, at the time of acquisition, of identifiable assets, liabilities and conditional liabilities of companies acquired.

Goodwill is allocated to cash generating units and is not subject to depreciation. Goodwill is tested for impairment quarterly and whenever an event or a change in circumstances indicates that a carrying amount may not be recoverable.

Other intangible assets

Intangible assets acquired through a business combination are capitalized at their fair value at the time of acquisition. Intangible assets deriving from an integration of Group operations pertain to customer relationships and contracts with known useful lives.

Other intangible assets are recognized initially in the acquisition cost on the balance sheet in case the acquisition cost can be defined reliably and it is likely that the Group will benefit from the asset item.

An intangible asset with a limited useful life is recorded as a depreciation expense, using the straight-line method through profit and loss during its known or estimated useful life.

The Group does not have other intangible assets with unlimited useful life.

R&D costs

Research costs are recorded as expenses in the income statement. Development costs arising from the design of new or more advanced products are capitalized as intangible assets when the product is technically feasible, can be exploited commercially and is expected to bring future financial benefits that cover those development costs. Intangible assets are measured at cost less depreciation and impairment losses. The useful lives of capitalized development expenses are 3-4 years, during which time the capitalized expenses are entered as depreciation costs by using the straight-line method.

Development expenditure which has been recognised as an expense in previous financial statements will not be capitalized later.

Property, plant and equipment

Machinery and equipment form a major part of the company's tangible assets. They have been measured on the balance sheet at the initial acquisition cost less accrued depreciation and any impairment.

Gains or losses from the sales or transfer of tangible assets are entered into the income statement.

The Group's depreciation methods:

Intangible assets acquired through business combinations	3–10 years straight-line
Intangible rights	3–4 years straight-line
Internally generated intangible assets	3–4 years straight-line
Other tangible assets	3–5 years straight-line
Machinery and equipment	3–5 years straight-line
Machinery acquired through financial leasing	3–5 years straight-line
Intangible assets acquired through financial leasing	3–5 years straight-line

Government grants

Government grants are entered as a reduction of the carrying amount of other intangible assets when it is fairly certain that the grants will be received and that the Group meets the conditions set for them. The grants are recognized in the income statement as lower depreciation on the respective asset during its useful life. Grants received as compensation for costs already realized are recorded through profit and loss for the period during which the right to the grant arises. Such grants are recorded in other operating income or expense adjustments. The amount of the government grants is presented in note 5.

Impairment of tangible and intangible assets

On each closing date, the Group assesses whether there are indications that any asset has been impaired. If such indications exist, the recoverable amount of the asset is assessed. In addition, the recoverable amount is assessed annually and quarterly for goodwill, regardless of whether there are indications of impairment. The impairment tests are performed for a cash generassets.

This category includes sales and other receivables. Trade receivables are recorded at their original value. The Group estimates the number of receivables in each financial statement and records an impairment if there is objective evidence that individual items have been impaired.

Such evidence includes the debtor's considerable financial problems, high probability of bankruptcy and defaulted or significantly overdue payments.

Impairment is recognized as an expense in the income statement.

Cash and cash equivalents

Cash and cash equivalents comprise cash, as well as bank deposits payable on demand.

Financial liabilities

Financial liabilities are initially recognised at the original value corresponding to the consideration received. Transaction costs are included in the original carrying amount of the financial liability. Non-derivative financial liabilities are subsequently valued at amortised cost, using the effective interest rate method. Financial liabilities are included in the non-current and current liabilities. Borrowing costs are entered as interest expense for the period when they are incurred.

Pension plans

The Group currently uses defined contribution pension plans only. The payments for these plans are expensed in the income statement for the period during which they occur.

The Group has no legal or constructive obligation to make additional contributions should the recipient of the contributions be unable to pay the relevant retirement benefits.

Share-based payments

The Group has incentive schemes in which payments are made as equity instruments. Any benefits granted through the arrangements will be appreciated at fair value at the moment of their granting and recognised as cost in the income statement, evenly during the generation period. The impact of these arrangements on the financial result is shown in the income statement under employee benefit costs.

The cost determined at the time of granting options is based on the Group's estimate of the number of options that are expected to be vested at the end of the investing period. The Group updates its estimate of the final number of options on each closing date. Changes in the estimates are recorded in the income statement. The fair value of the option arrangements is determined according to the Black–Scholes option pricing model.

When options are exercised, the proceeds based on share subscriptions are recognised in shareholders' equity, net of any transaction costs. The proceeds from the exercise of options, adjusted for any transactions costs, are recognised in the share capital and in the invested non-restricted equity fund, in accordance with the terms of the option plan.

Income taxes

The tax expense in the consolidated income statement consists of performance-based tax corresponding to the result of Group companies for the period and based on the taxable income recognised by each Group company according to local tax , as well as of tax adjustments for previous periods and of changes in deferred tax.

Deferred tax is recognised for all temporary differences between carrying amounts and taxable values. However, a deferred tax liability is not recorded if it arises from an initial recognition of an asset or liability in a transaction other than a business combination, and this recognition does not affect the accounting result or the taxable income at the time of carrying out the transaction. Deferred tax is not recognised for goodwill that is not tax-deductible. Deferred tax on retained earnings of subsidiaries is not recognised for the portion of the difference that is not estimated to dissolve during the foreseeable future.

Deferred tax is determined, using the tax rates enacted by the closing date.

Deferred tax assets are recognised to the extent that future taxable profit against which the temporary differences can be utilised is likely to become available.

Equity, dividends and treasury shares

The proposal of the Board of Directors on dividend distribution is not recorded in the financial statements since dividends are recognised based on the decision of the Annual General Meeting.

In purchasing Digitalist Group Plc's own shares, the amount paid for them will be recognised as deduction from equity

Turnover and revenue recognition

Turnover includes income from services provided. It is measured at the fair value of the consideration received, and it is adjusted for amounts collected on behalf of third parties, such as indirect taxes. Discounts are recognised when determining the amount of consideration in connection with recording sales.

Turnover consists fully of service production. The revenues from services are entered as income for the financial period when the service is provided. The Group uses an income entry method according to the production degree for defining the income and costs of each period. Income from short-term services are recognised when the service is completed, or evenly during the contract period.

The stage of completion for a specific contract is defined as the percentage of completed working hours at the time of review in proportion to the estimated total working hours. If the total expenses for a contract are likely to exceed the total income from the contract, the expected loss is expensed immediately.

Interest and dividend income

Interest income is recorded, using the effective interest rate method. Dividend income is recorded when the right to receive dividend is established.

Other operating income

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

Accounting policies requiring consideration by management and the main factors of uncertainty related to estimates

Preparing the financial statements requires estimates and assumptions from the management of the company that affect the amounts of assets, liabilities, income and expenses recorded in the financial statements, as well as the amount of contingent assets and liabilities presented in the accompanying notes. Although these estimates are based on the best judgement of the management of current events and actions, actual results may differ from estimates.

The management of the Group exercises judgement in selecting and applying accounting policies. This particularly concerns cases in which the IFRS norms in force provide mutually alternative recording, measurement or presentation methods. The major estimates and assumptions in the context of the financial statements are related to impairment testing, the use of deferred taxes, definition of allocation and depreciation times of acquisitions, and the capitalisation of development costs.

Uncertainties related to estimates

The estimates made when preparing the financial statements are the best estimates of the management at the time of closing the accounts. The estimates are based on previous experience and such assumptions regarding the future that are considered the most probable at the time of preparing the financial statements. These assumptions relate to, among others, the expected development of the economic operating environment of the Group in terms of sales and cost-level. The Group and its business units regularly use various internal and external information sources to monitor the realisation of the estimates and assumptions, as well as any changes in background factors. Changes in estimates and assumptions are entered into the accounts for the period during which they are adjusted and for all subsequent periods.

Such critical estimates of the future, as well as essential uncertainty factors related to estimates on the closing date, that pose a significant risk of substantial changes in the carrying amounts of the assets and liabilities of the Group during the next financial period are disclosed below. The management of the Group has considered these sections of the financial statements to be the most central ones, as the accounting policies related to them are the most complex from the viewpoint of the Group and as their application most requires the use of estimates and assumptions, such as when valuing asset items. These sections of the financial statements are also the ones in which any changes in the assumptions and estimates used are assumed to have the greatest impact.

Impairment testing

The Group tests goodwill and intangible assets quarterly for potential impairment. Any indicators of impairment are evaluated according to the above accounting policies. The recoverable amounts for the cash generating units have been defined, using calculations based on value in use. These calculations require the use of estimates.

Further information on impairment testing is presented in note 13.

Purchase price allocations and definition of depreciation time

Tangible assets are depreciated over their useful life according to the estimate of the management, taking into account the depreciation principles observed within the Group. Intangible assets arising from business combinations are recognised separately from goodwill at fair value at the time of acquisition if they are identifiable. The business operations that the Group has acquired mostly concern technology, order books and customer relationships.

Capitalisation of development costs

The Group recognises product development costs that meet the activation requirements. The management assesses the fulfilment of the activation criteria and the progress of product development projects regularly.

Deferred tax assets recognised for losses

Due to tax losses, there are no deferred tax assets on the balance sheet.

2. Segment information

The highest operative decision-maker is the Board of Directors, to which business operations are reported in one operational and reporting segment.

During the period, the share of one customer was 12,1% of the turnover

During the period, the share of related-party customers was 12.8% of the turnover.

Geographical information

The Group operates in two geographical areas, which are Europe and North America.

Turnover for the geographical regions is presented according to the location of the customers, and the assets for the geographical areas are presented according to the location of the assets.

Proceeds from sales to external customers are determined according to IFRS.

2019 EUR 1,000	Turnover	Non-current assets
Europe	21 530	18 794
of which Finland	7 330	15 250
USA	5 871	95
Other countries		
Group total	**27 401**	**18 889**

2018 EUR 1,000	Turnover	Non-current assets
Euroope	18 911	23 752
of which Finland	7 777	13 762
USA	5 339	144
Other countries	488	0
Group total	**24 737**	**23 896**

3. Aquired business operations

Financial period 2019

No business acquisitions were made during the financial period 2019.

Financial period 2018

In May 2018, Digitalist Group concluded an agreement, whereby all shares in the Swedish Grow Holding AB and 51.9% of the Swedish Grow Nine AB transferred by exchange of shares to the ownership of Digitalist Group. Grow Holding AB owns 48.1% of Grow Nine AB's shares. As compensation in the transaction, Digitalist Group provided a total of 74,976,178 new company shares in special issues to be subscribed for by the owners of Grow Holding AB and the minority owners of Grow Nine AB.

The subscription price for the shares in the share issues was EUR 0.09 apiece.

Thus, the total price of the acquisition was EUR 6,747,856.02. The transaction was carried out on 31 May 2018.

The compensation shares represent roughly 11.52% of the shares and votes in Digitalist Group following the share issue. The compensation shares entitle their owners to any full dividends possibly distributed by Digitalist Group and to any other distribution of assets, and provide full shareholder rights in the Company from the date on which the compensation shares are entered in the trade register and in the company's list of shareholders. According to a separate agreement, the compensation shares are subject to a lock-up period between twelve (12) months and three (3) years from their issue.

"Through the arrangement, Digitalist Group expands its Swedish operations and strengthens its ability to shape and deliver comprehensive innovation, design and technology solutions. Grow is a Swedish company, which has, from 2004, supported the growth of its client companies by offering strategic, design and communications services both in Sweden and globally. Through the acquisition, Digitalist Group received approximately 50 experts. Together Digitalist Group and Grow form a creative international design and technology company."

Acousition cost calculation	
For value of total consideration	**6 748**
Fair values of acquired assets and debts at the time of acquisition	
Intangible assets	6 424
Tangible assets	136
Backlog	272
Receivables	1 505
Cash and bank deposits	198
Total assets	**8 535**
Trade payables and other debts	1 547
Deferred tax liabilities	240
Total liabilities	**1 787**
Total acquired net assets	**6 749**
Goodwill	**5 333**
Impact of acquisition on cash flow	
Total consideration paid	6 748
Share of consideration consisting of cash assets	0
Acquired cash assets	198
Impact of acquisition on cash flow	**198**
Allocated sum	6 749
Order book	1 091
Goodwill	5 333

If the acquisition had been made in 2017, the impact of the Grow companies on turnover would have been roughly EUR 5.5 million and the impact on the profit for the period EUR –0.3 million.

4. Turnover

The following table describes the amount of sales receivables and contract receivables and liabilities at the end of the financial period.

	2019	2018
Turnover from service fees	27 401	24 737
Customer contracts recognised over time	25 291	24 124
Customer contracts recognised based on percentage of completion	2 110	613

	2019	2018
Sales receivables	5 939	7 209
Customer contract assets	98	284
Customer contract liabilities	0	379

The Group's customer contract assets consist of non-billed receivables from customers on the reporting date. Contract assets are transferred to sales receivables when there is a definitive right to the asset.

Customer contract liabilities consist mainly of received advanced payments.

Additional information in Note 16.

Customer contract liabilities at the end of the reporting period that will be fulfilled during the next year totalled 379 (2017: 60).

5. Other operating income

Other operating income (EUR 1,000)	2019	2018
Gains on sales of fixed assets	0	8
Government grants	0	2
Other items	111	144
Total	**111**	**155**

The Group has received a total of EUR XX,000 in government grants during the 2018 financial year (2017: EUR 2,000).

Government grants are mainly channelled to product development. In the income statement, the grants have been entered as a cost adjustment.

6. Materials and services

	2019	2018
Materials	-56	-757
Services	-3 770	-1 517
Total	**-3 826**	**-2 274**

7. Employee benefit expenses

	2019	2018
Salaries and remuneration of the CEO and the Board of Directors	-549	-560
Option rights (CEO and the Board of Directors)	-8	0
Salaries and remuneration	-15 837	-15 453
Option rights	-137	0
Total	**-16 531**	**-16 013**
Defined contribution pension costs	-2 028	-1 895
Other personnel expenses	-2 586	-1 734
Personnel expenses in the income statement	-21 145	-19 641

Related-party transactions: Note 29.

8. Personnel

Employed on average	2019	2018
Experts	217	220
Administrative and sales personnel	45	38
Total	**262**	**258**
from which working outside Finland	159	112

Employed at the end of the period	2019	2017
Experts	207	229
Administrative and sales personnel	39	41
Total	**246**	**270**
from which working outside Finland	155	151

9. Depreciation and impairment

	2019	2018
Depreciation and amortisation of intangible assets acquired in business combinations	-1 253	-1 303
Depreciation and amortisation of intangible assets	-1 805	-70
Depreciation and amortisation of property, plant and equipment	-313	-215
Total depreciation and impairment	-3 371	-1 588

10. Other operating expenses

	2019	2018
Employee-related expenses	-543	-834
Premises expenses	-2 096	-2 030
ICT hardware and maintenance expenses	-870	-768
Travel expenses	-580	-740
Marketing and sales expenses	-435	-406
Credit losses	-233	-192
Other operating expenses	-1 500	-2 852
Total	**-6 257**	**-7 821**

The income statement includes R&D costs of EUR 0 (2017: EUR 58,000) entered as expenses.
KPMG Oy Ab has charged EUR 69,000 as audit fees and EUR 72,000 for other services.
Due to reliefs on leases of a short duration or low value, property leases in the amount of EUR 363,000 have been recorded directly in the income statement.

Auditor's fees	2019	2018
KPMG Oy Ab, PricewaterhouseCoopers Oy		
Audit fees	-102	-104
Tax advice	-18	-30
Other services	-6	-72
Total	**-133**	**-206**

11. Financial income and expenses

	2019	2018
Foreign exchange gains	937	329
Other financial income	146	404
Total financial income	1 083	734
Interest expense for borrowings measured at amortised cost	-1 033	-732
Value changes in financial assets recoded at fair value through profit and loss		
derivative interest rate contracts	-19	-13
Foreign exchange losses	-388	-563
Interest on financial leasing debt	0	0
Other financial expenses	-554	-56
Total financial expenses	-1 994	-1 365
Total financial income and expenses	-911	-631

12. Income tax

Income tax in the income statement	2019	2018
Tax for the period	43	-47
Tax for the previous periods	0	4
Deferred tax	293	278
Total	**336**	**235**

Synchronization of the tax rate of the Group with Finland's tax rate

	2019	2018
Profit before tax	-14 998	-7 063
Income tax according to Finland's tax rate	3 000	1 413
Other non-deductible items	-1 400	-60
Tax for the previous periods		4
Different tax rate of foreign subsidiaries	58	42
Unrecorded deferred tax assets from the losses	-1 511	-1 353
Others	189	189
Consolidated income tax	336	235

More information on deferred tax assets and liabilities, as well as tax losses, is presented in Note 15.

13. Intangible assets

Intangible assets in 2019	Goodwill	Internally generated in-tangible assets	Other intangible assets	Total
Acquisition cost 1 Jan 2018	40 851	5 123	22 269	68 242
Additions		773	447	1 220
Disposals and transfers	-11			-11
Exchange rate changes	-114			-114
Acquisition cost 31 Dec 2019	40 726	5 896	22 716	69 337
Accumulated depreciation and impairment at 1 Jan 2019	-22 792	-4 519	-17 590	-44 901
Depreciation for the period			-1 467	-1 467
Impairment for the period				0
Exchange rate changes	-7 000			-7 000
Exchange rate changes			-132	-132
Accumulated depreciation and impairment 1 Jan 2019	-29 792	-4 519	-19 189	-53 500
Carrying amount 1 Jan 2019	18 059	604	4 678	23 341
Carrying amount 31 Dec 2019	10 934	1 377	3 526	15 837

Intangible assets in 2018	Goodwill	Internally generated in-tangible assets	Other intangible assets	Total
Acquisition cost 1 Jan 2018	35 547	4 519	21 255	61 321
Additions	5 295	604	1 171	6 996
Disposals and transfers	0	0	-12	-12
Exchange rate changes	10	0	-145	-136
Acquisition cost 31 Dec 2019	40 851	5 123	22 269	68 242
Accumulated depreciation and impairment 1 Jan 2018	-22 792	-4 516	-16 235	-43 543
Depreciation for the period	0	-3	-1 367	-1 370
Exchange rate changes	0		12	12
Accumulated depreciation and impairment 31 Dec 2018	-22 792	-4 519	-17 590	-44 901
Carrying amount 1 Jan 2018	12 755	3	5 020	17 778
Carrying amount 31 Dec 2018	18 059	604	4 678	23 341

Other intangible assets comprise intangible rights formed through corporate acquisitions and licence fees.

Goodwill impairment testing

Goodwill has been allocated to one cash generating unit (CGU).

The carrying amount of goodwill on the balance sheet is EUR 10.9 million (2018: EUR 18.1 million). The company conducted goodwill impairment testing in accordance with IAS 36 on 31 December 2019 and recorded a goodwill impairment of EUR 7 million on the basis of the test. The impairment results from the company, assuming that there are risks affecting the growth of previously acquired business operations, and that growth will be more moderate and slower than previously expected. This change in expectations has affected both the cash flows and discount rate used in the testing.

The recoverable amount from a cash-generating unit is based on the value in use for the asset. Goodwill impairment is tested by comparing value in use to the carrying value. The cash-flow forecasts of the first year are based on economic forecasts approved by the Management Team. The current values of the forecasting period of the following three years have been determined, using the following assumptions based on the deliberations of the Management Team: in the impairment testing conducted on 31 December 2019, the cash-flow forecast period was

2020–2023. In the forecast for 2019–2022, the expected growth is 17% on average as digitalisation affects an increasing part of business. In the test calculations, 7%, which was the average EBIT for the forecast period, was used as EBIT for the terminal period. The growth rate after the terminal period is expected to be 1%.

"Cash-flow forecasts are discounted by using the WACC before taxes. The discounting rate has been derived from the external assessment of the required return on equity, as well as the cost of debt increased by a risk premium. The discount rate used is 14% (9%)."

Goodwill has been allocated to the following units:

	One Digitalist Group	Total
Goodwill, 1 Jan 2019	18 059	18 059
Translation difference	-125	-125
Impairment	-7 000	-7 000
Goodwill, 31 Dec 2019	**10 934**	**10 934**

	One Digitalist Group	Total
Goodwill, 1 Jan 2018	12 755	12 755
Impairment, Grow	5 304	5 304
Goodwill, 31 Dec 2018	**18 059**	**18 059**

Key assumptions used when testing goodwill	2019	2018
Forecast period	4	4
Annual growth in turnover	15 %	17 %
Growth rate of cash flows after the forecast period	1 %	1 %
Discount rate	14 %	9 %

14. Property leases

Tangible assets 2019	Machinery and equipment	Other tangible assets	Other investments	Right-of-use asset item	Total
Acquisition cost 1 Jan 2019	11 639	173	2	3 817	15 631
Additions	69	56		502	627
Disposals and transfers					0
Exchange rate changes	1	-45			-44
Acquisition cost 31 Dec 2019	11 709	184	2	4 319	16 214
Accumulated depreciation 1 Jan 2019	-11 197	-62	0	-	-11 259
Depreciation for the period	-222	-35		-1 646	-1 903
Exchange rate changes					0
Accumulated depreciation 31 Dec 2019	-11 419	-97	0	-1 646	-13 162
Carrying amount 1 Jan 2019	442	111	2		555
Carrying amount 31 Dec 2019	290	87	2	2 673	3 052

Tangible assets 2018	Machinery and equipment	Other tangible assets	Other investments	Total
Acquisition cost 1 Jan 2018	11 334	109	7	11 450
Additions	305	62	0	367
Disposals and transfers	0	0	-5	-5
Exchange rate changes	0	1	0	1
Acquisition cost 1 Jan 2018	11 639	173	2	11 814
Accumulated depreciation 31 Dec 2018	-11 011	-31	0	-11 042
Depreciation for the period	-185	-31	0	-216
Exchange rate changes	0	0	0	0
Accumulated depreciation 31 Dec 2018	-11 197	-62	0	-11 259
Carrying amount 1 Jan 2018	322	78	7	408
Carrying amount 31 Dec 2018	442	111	2	555

Prepayments and acquisitions in progress	1.1.19	Software project	31.12.19
Additions	73	0	73

Introduction of IFRS 16

The introduction of IFRS 16 has resulted in the Group recording a right-of-use asset and the corresponding lease liability on the balance sheet. The transition had no effect on equity.

	1.1.2019
Lease liability	3 817
Long-term lease liability	2 323
Lease liability	1 494

When lease liability under IFRS 16 was determined, the Group discounted future leasing payments using an average interest rate of 4%.

Lease liabilities in the financial statements on 31 December 2018	3 788
Discounted operating leasing liabilities 1 Jan 2019	3 557
Financial leasing liabilities in the financial statements 31 Dec 2018	153
IFRS 16 allowance for short-term assets and assets of low value	
other change	107
Lease liabilities 1 Jan 2019	3 817

15. Deferred tax assets and liabilities

Deferred tax liabilities 2019	1.1.2019	"In the income statement"	Translation difference	Acquired busi-nesses	31.12.2019
Intangible assets, measuring at fair value	980	-292	-18		670
Other items	2				2
Total	**982**	**-292**	**-18**	**0**	**672**

Deferred tax liabilities 2018	1.1.2018	"In the income statement"	Acquired busi-nesses	31.12.2018
Intangible assets, measuring at fair value	1 049	-278	209	980
Other items	2	0	0	2
Total	**1 051**	**-278**	**209**	**982**

Confirmed loss	Expires	MEUR
2010	2020	0,3
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	2,7
Total		42,6

The Group has no deferred tax receivables on the balance sheet due to taxation losses and the uncertainty still prevailing on the market.

16. Trade and other receivables

Current receivables	2019	2018
Trade receivables	5 939	7 209
Other receivables	572	802
Total	6 511	8 012
Other receivables	2019	2018
Other receivables	124	320
Accruals	448	483
Total	**572**	**802**

Breakdown of trade receivables by maturity	2019	Impairment loss	Net 2019
Not due for payment	4 589	0	4 589
Due since 1–30 days	1 032	0	1 032
Due since 31–60 days	6	0	6
Due since 61–90 days	26	0	26
Due since 91–180 days	41	0	41
Due since more than 180 days	478	-233	245
Total	**6 172**	**-233**	**5 939**

Breakdown of trade receivables by maturity	2018	Impairment loss	Net 2018
Not due for payment	5 888	0	5 888
Due since 1–30 days	810	0	810
Due since 31–60 days	268	0	268
Due since 61–90 days	128	0	128
Due since 91–180 days	61	-30	31
Due since more than 180 days	246	-162	84
Total	**7 401**	**-192**	**7 209**

The financial assets do not include due items.

The company has recognised EUR xxx,000 (2018: EUR 192,000) of credit losses during the period.

The principles used for estimating the fair value of receivables are presented in Note 24.

Credit risk management is a major part of the risk management of the Group. Fifty-eight per cent of the Group's turnover is derived from its 20 largest customers. The Group's most important customers are Finnish companies and companies operating abroad in the fields of telecommunications, information technology, banking and insurance, as well as within public administration. The majority of these customers are invoiced in euro. The receivables do not include any significant concentration of credit risk. The counterparties in external financing transactions are major Nordic banks.

To reduce the turnaround time of trade receivables, the Group had on its balance sheet sold trade receivables in the amount of MEUR 0.6 (2017: MEUR 1.0) on 31 December 2018 that were transferred to financing companies at the beginning of 2019. Trade receivables of MEUR 7.6 million were sold during the financial period (2017: MEUR 6.8).

17. Cash and cash equivalents

EUR 1,000	2019	2018
Cash and cash equivalents	787	314

Cash and cash equivalents comprise cash in hand and cash deposits in current accounts.

18. Equity

	Number of shares	"Share capital, €"	"Share premium reserve, €"	"Invested nonrestricted equity fund, €"	Total, €
1.1.19	651 022 746	585	219	73 186	73 990
Changes	-	-	-	-	-
31.12.19	**651 022 746**	**585**	**219**	**73 186**	**73 990**

	Number of shares	"Share capital, €"	"Share premium reserve, €"	"Invested nonrestricted equity fund, €"	Total, €
1.1.18	553 824 346	585	219	64 457	65 261
Rights issue	22 222 222	0	0	2 000	2 000
Share issue	74 976 178	0	0	6 748	6 748
Expenses for equity procurement	0	0	0	-19	-19
31.12.18	651 022 746	585	219	73 186	73 990

In April 2018, a rights issue was carried out, where a total of 22,222,222 new shares were issued.

In May 2018, a total of 74,976,178 new shares were issued, in connection with the share acquisition of Grow Holding Ab and Grow Nine Ab.

In the following, a description of reserves:

Share premium reserve
In cases where stock options have been decided under the repealed Finnish Limited Liability Companies Act (29.9.1978/734), payments received for share subscriptions based on stock options have been recorded in the share capital and share premium reserve in accordance with the terms of the respective option plans, net of transaction costs.

Invested non-restricted equity fund
The invested non-restricted equity fund contains other equity-type investments and the subscription price of the shares to the extent that a specific decision to recognise it in the share capital has not been made. After the entry into force (1 September 2006) of the new Finnish Limited Liability Companies Act (21 July 2006/624), the income from exercise of options is recorded entirely in the invested non-restricted equity fund.

19. Provisions

Digitalist Group Plc did not record provisions in 2019 or 2018.

20. Non-current liabilities

Non-current liabiities (EUR 1,000)	Other loans	Convertible bonds	Deferred tax liabilities	Finance leasing debt	Total
Non-current liabilities 1 Jan 2019	3 025	8 568	982	71	12 646
Change during financial period	-154	0	-310	1 341	877
Non-current liabilities 31 Dec 2019	**2 871**	**8 568**	**672**	**1 412**	**13 523**

Non-current liabilities (EUR 1,000)	Other loans	Convertible bonds	Deferred tax liabilities	Finance leasing deb	Total
Non-current liabilities 1 Jan 2018	6 330	8 568	1 051	93	16 042
Change during financial period	-3 305	0	-69	-22	-3 396
Non-current liabilities 31 Dec 2018	3 025	8 568	982	71	12 646

The principles used for estimating the fair value of the liabilities are presented in Note 24.

21. Financial liabilities

Non-current financial liabilities (EUR 1,000)	2019	2018
Convertible bond	8 568	8 568
Borrowings from financial institutions	2 871	3 025
Other loans	0	0
Finance leasing debt	1 412	71
Non-current financial liabilities	**12 851**	**11 664**

Current financial liabilities (EUR 1,000)	2019	2018
Borrowings from financial institutions	5 825	4 434
Other loans	6 635	104
Finance leasing debt	1 536	82
Financial liabilities recorded at fair value through profit and loss (*	19	15
Current financial liabilities	**14 015**	**4 635**

*)The financial liabilities recorded at fair value through profit and loss are derivatives. The item is included in other liabilities.

The methods used to estimate the fair values of financial liabilities are presented in Note 24.

The repayment scheme for interest-bearing borrowings from financial institutions on 31 December 2019 (does not include EUR 5,742,000 limits included in current loans from financial institutions).

Total of loans 31 Dec 2019	21 124
Repayments 2020	-8 171
Repayments 2021	-10 679
Repayments 2022	-1 283
Repayments 2023	-698
Repayments 2024	-293

The average interest rate of the borrowings from financial institutions was 4.6%.

Changes in interest-bearing liabilities during the financial period	2019
Interest-bearing liabilities 1 Jan 2019	16 298
Monetary change in interest-bearing liabilities	7 620
Changes with no payment relation:	
Increase in right-of-use liabilities under IFRS 16	2 948
Financial liabilities at fair value through profit or loss	
Conversion of convertible bond	
Interest-bearing liabilities 31 Dec 2019	26 866

Changes in interest-bearing liabilities during the financial period (EUR 1,000)	2018
Interest-bearing liabilities 1 Jan 2018	11 485
Monetary change in interest-bearing liabilities	-3 768
Changes with no payment relation:	
Financial liabilities at fair value through profit or loss	13
Conversion of convertible bond	8 568
Interest-bearing liabilities 31 Dec 2018	16 298

22. Current liabilities

Current liabilities (EUR 1,000)	2019	2018
Trade payables	2 176	1 861
Tax liabilities	59	-14
Borrowings from financial institutions	5 825	4 434
Other loans	6 654	104
Finance leasing debt	1 536	82
Other liabilities	1 531	3 111
Accrued expenses	3 297	2 972
Total	21 078	12 549

Breakdown of other liabilities (EUR 1,000)	2019	2018
Withholding tax debt	350	338
Social security contribution debt	497	369
VAT debt	447	851
Other liabilities	237	1 552
Total other liabilities	1 531	3 111

Breakdown of accrued expenses	2019	2018
Allocated personnel expenses	1 377	1 750
Accrued interest on loans	157	223
Accrued expenses	1 763	999
Accrued expenses total	3 297	2 972

23. Cash flow statement

	2019	2018
Change in working capital	-594	-1 343
Trade receivables and other receivables	1 354	-2 628
Trade and other payables	-1 948	1 285

24. Book and fair values of financial assets and liabilities

Financial assets and liabilities recorded at fair value through profit and loss

The Group has classified its interest rate swap agreements and other investments to be recorded at fair value through profit and loss. They are included in current assets and liabilities on the balance sheet.

Changes in fair value are entered in the income statement as financial income or expenses. The fair value of agreements is calculated by discounting future cash flows.

"The agreements are presented in financial assets and liabilities on the balance sheet and they are acquired for hedging purposes. The company does not apply hedge accounting."

Financial assets measured at amortized cost

After their initial recording, loans and other receivables are measured at amortized cost using the effective interest rate method.

Financial assets that have been acquired with the objective of holding them until maturity in order to collect contractual cash flows are included as financial assets measured at amortized cost. The cash flows from these items consist solely of payments of principal and interest on the principal amounts outstanding. They are presented on the balance sheet as current and non-current assets.

Trade and other receivables and other investments are included in this category. Trade receivables are initially recorded at original value.

The Group recognizes an allowance for expected credit losses for financial assets recognized at amortized cost. Expected credit losses are recognized under other operating expenses in the income statement.

An impairment loss is recognised if there is objective evidence of impairment of a financial asset. Such evidence includes the debtor's considerable financial problems, high probability of bankruptcy and defaulted or significantly overdue payments. Impairment losses are expensed under other operating expenses in the income statement.

The Group's loans from financial institutions and related parties are measured at amortized cost.

Methods used to estimate fair values

Trade and other receivables

The original values correspond to the fair values of trade and other liabilities, since the terms of payment are short, and the effect of discounting is not significant. Note 16 shows a breakdown of trade receivables by maturity.

Other liabilities

"Other liabilities (trade payables and other non-interest-bearing liabilities) are recorded on the balance sheet at their original values, which correspond"to their fair values, since the effect of discounting is not significant, considering the maturity of such liabilities.

Nominal value of derivative contracts, EUR 1,000

Interest rate swaps	2019	2018
Matures in 1 year	0	0
Matures in 1–5 years	2 000	2 000
Total	2 000	2 000
Current value	-19	-15

All interest rate swaps are classified at level 2.

"The fair value of a financial instrument that is not traded in an active market is determined by using valuation techniques. These techniques maximise the use of observable market data where it is available and rely as little as possible on company-specific estimates. If all significant inputs required for the determination of the fair value of an instrument are observable, the instrument is at level 2."

25. Earnings per share (*

	2019	2018
Profit attributable to equity holders of the parent company, EUR 1,000	-14 662	-6 828
Number of shares during the period, adjusted for issues, average, pcs	651 022 746	609 376 504
Earnings per share, EUR	-0,02	-0,01
Diluted weighted average number of shares during the period, pcs	651 022 746	651 022 746
Earnings per share, diluted, EUR	-0,02	-0,01
Dilution effect, pcs	0	41 646 242

*) The number of the shares and per share figures have been affected by rights issues in 2018.

26. Proposal of the board of directors to the annual general meeting

The Board of Directors of Digitalist Group Plc proposes to the Annual General Meeting that the distributable funds be left in the shareholders' equity and no dividend be distributed to the shareholders for the financial period 2019.

On 31 December 2019, the distributable funds of the parent company were EUR 16 577 097.

27. Konserniyhtiöt

Name	Parent ownership	Domicile
Digitalist Group Oyj	Parent	Finland, Helsinki
Digitalist Finland Oy	100 %	Finland, Helsinki
Digitalist Canada Ltd.	100 %	Canada, Vancouver
Ixonos Estonia OÜ	100 %	Estonia, Tallinn
Ixonos Germany GmbH	100 %	Germany, Berliin
Ixonos Slovakia s.r.o.	100 %	Slovakia, Kosice
Digitalist USA Ltd.	100 %	USA, San Francisco
Ixonos Hong Kong Ltd *)	100 %	China, Hongkong
Digitalist UK Ltd	100 %	United Kingdom, London
Cresense, Inc.	100 %	USA, San Francisco
Cresemse Hong Kong Limited*	100 %	China, Hongkong
Digitalist Singapore Pte Ltd	100 %	Singapore, Singapore
Digitalist Sweden AB	100 %	Sweden, Stockholm
Grow Holding AB	100 %	Sweden, Stockholm
Grow AB	100 %	Sweden, Stockholm
Grow Finland Oy*	100 %	Finland, Helsinki
Grow Norway AS	100 %	Norway, Oslo

Changes in Group structure

Cresense Oy and Interquest Oy were merged with Digitalist Finland Oy in December 2018.

Ixonos Danmark was wound down in 2017.

*) It has been decided that the Group companies in Hong Kong will be would down. Te wind-down processes are ongoing.

28. Related-party disclosures

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

Salaries, remunerations and other short-term employee benefits, EUR 1,000	2019	2018
Ville Tolvanen, CEO	63	300
Hans Parvikoski, CEO	129	
Petteri Poutiainen, CEO	110	
Board of Directors		
Rosenlew Andreas (Chairman from 28 June 2018)	50	26
Ehrnrooth Paul (Chairman until 28 June 2018)	25	39
Matikainen, Esa (Vice-Chairman from 17 April 2018)	39	29
Marttila, Päivi (Vice-Chairman until 17 April 2018)	0	12
Ekström Bo-Erik	8	31
Eloholma, Pekka (until 17 April 2018)	0	8
Eriksson, Peter	27	28
Konttinen, Samu(until 17 April 2018)	0	7
Pylkäs Pekka	27	27
Jaana Rosendahl (from 17 April 2018)	27	22
Ville Tolvanen (from 17 April until 28 June 2018)	19	7
Anders Liljeblad (from 28 June 2018)	26	13
Johtoryhmä (excluding CEO)	1 091	1 190
Total of related party salaries and remunerations	1 640	1 738

The related party salaries and remunerations have been presented on an accrual basis.

In 2019, members of the Board of Directors, the CEO and the Management Team had a total of 3.580.500 option rights (2018: 6,044,520 pcs). The total fair value of the options is EUR 215,000 (2018: EUR 302,000).

Share ownership by the members of the Board of Directors, the CEO and Management Team	2019	2018
CEO	4 971 709	4 971 709
Board of Directors (*	514 523 110	514 523 110
Management Team	17 451 803	17 451 803
Total	536 946 622	536 946 622

*) The related party Tremoko Oy Ab owns 305.237.039 company shares with ownership share of 46.89%. Tremoko Oy Ab is owned by Turret Oy Ab and Holdix Oy Ab. Turret Oy Ab, which is the controlling company of Paul Ehrnrooth, the Chairman of the Board of Directors, owns 65% of the company shares, while Holdix Oy Ab owns 35% of the shares of Tremoko Oy Ab.

The company did not hold any shares of its own.

The pension arrangements of the CEO comply with Finnish employee pension legislation. The CEO also has a voluntary pension arrangement to which EUR 8,500 was contributed in 2019 (EUR 8,500 in 2018).

The term of notice of the CEO is nine months. If the company dismisses the CEO, he is entitled to a severance payment equivalent to nine month's salary.

Loans to related parties

Digitalist Group Plc has a total of EUR 6,086,310 of short-term loan from Turret Oy Ab and Holdix Oy Ab. The fixed interest rates on the loans are 4.5–6%.

"On 1 June 2018, Digitalist Group agreed on a convertible bond with Tremoko Oy Ab. The bond agreement amounts to EUR 8.7 million, and it was used to set off all the receivables from the company. The due date (if the conversion option has not been used) is 31 December 2021. Interest starts to accrue on 1 January 2019, and the interest becomes due biannually on 30 June and 31 December. In 2019, the bond was transferred from Tremoko Oy Ab to Turret Oy Ab and Holdix Oy Ab."

29. Share-based payments

Option plan 2019

“On 27 August 2019, the Board of Directors of Digitalist Group Plc decided to issue option rights on the basis of an authorisation granted by the Annual General Meeting held on 2 April 2019.

The option rights will be distributed gratuitously as determined by the Board of Directors to key persons employed or recruited by a company belonging in Digitalist Group Plc’s group for the purpose of increasing their commitment and motivation. Option rights may be distributed to a subsidiary fully owned by the Company, insofar as they are not distributed to Group personnel. A subsidiary is not entitled to subscribe to shares on the basis of option rights.

The option rights will be marked as series 2019A1, 2019A2, 2019B1, 2019B2, 2019C1 and 2019C2. The maximum amount of option rights issued is 19,530,000 and they entitle to subscribe, altogether, a maximum of 19,530,000 new Company shares. The Board of Directors may decide on any additional conditions related to the receipt of option rights and on the redistribution of option rights that later revert back to the Company.

Each option right entitles its holder to subscribe to one new Digitalist Group’s share. Shares subscribed on the basis of the option rights represent, on 27 August 2019, altogether a maximum of approximately 3% of all company shares and votes, corresponding to a dilution effect of approximately 3%.

The subscription period for shares subscribed for under option rights 2019A1, 2019B1 and 2019C1 starts on 31 December 2021 and ends on 31 December 2023. The subscription period for shares subscribed for under option rights 2019A2, 2019B2 and 2019C2 starts on 31 December 2022 and ends on 31 December 2023.

The subscription price of a share subscribed for under option rights is EUR 0.06. The subscription price may be reduced by, inter alia, the amount of dividends paid and may also, otherwise, be subject to revision in accordance with the terms and conditions. The subscription price, however, may never be lower than EUR 0.01.

The complete terms and conditions of the option plan are appended to this stock exchange release and available on the Company’s homepage at https://investor.digitalistgroup.com/fi/investor/shares/option-schemes.

The theoretical market value of the incentive scheme is approximately EUR 0.5 million, which is recognized as an expense in accordance with IFRS 2 for the years 2019-2022. The expense recognition does not have a cash flow impact.

The theoretical market value of the option rights has been calculated by using the Black & Scholes model.”

Option plan 2016

On 21 November 2016, the Board of Directors of Digitalist Group Plc decided to issue option rights on the basis of an authorisation granted by the Annual General Meeting held on 7 April 2016.

The option rights will be distributed as determined by the Board of Directors to key persons employed or recruited by a company belonging in Digitalist Group Plc’s group for the purpose of increasing their commitment and motivation.

The option rights will be marked as series 2016A, 2016B and 2016C The maximum amount of option rights issued is 35,356,560 and they entitle to subscribe altogether a maximum of 35,356,560 new Company shares. The Board of Directors may decide on any additional conditions related to the receipt of option rights and on the redistribution of option rights that later revert back to the Company.

“Each option right entitles its holder to subscribe to one new Digitalist Group’s share. Shares subscribed on the basis of the option rights represent, on 3 November 2016, altogether a maximum of approximately 10% of all company shares and votes, corresponding to a dilution effect of approximately 9%.

The subscription period for shares subscribed for under option right 2016A started on 1 October 2017 and ended on 30 September 2018. The subscription price of a share subscribed under option right 2016C is EUR 0.08, which is the weighted average price of the company’s shares quoted on the Helsinki Stock Exchange between 18 May and 18 November 2016 rounded up to the nearest cent.

“The subscription period for shares subscribed for under option rights 2016B starts on 1 October 2018 and ends on 30 September 2020. The subscription price of a share subscribed for under option right 2016B is EUR 0.10, which corresponds to the weighted average price of the company’s shares quoted on Nasdaq Helsinki Ltd (“Helsinki Stock Exchange”) between 1 July and 31 December 2017 rounded up to the nearest cent.

The subscription period for shares subscribed for under option rights 2016C starts on 1 October 2018 and ends on 30 September 2020. The subscription price of a share subscribed under option right 2016C is the weighted average price of the company’s shares quoted on the Helsinki Stock Exchange between 1 July and 31 December 2018 rounded up to the nearest cent.

The subscription price may be reduced by, inter alia, the amount of dividends paid and may also otherwise be subject to revision in accordance with the terms and conditions. The subscription price, however, may never be lower than EUR 0.01.

The complete terms and conditions of the option plan are appended to this stock exchange release and available on the Company’s homepage at http://www.digitalist.global/fi/investor/shares/option-schemes.

The theoretical market value of the option rights has been calculated using the Black & Scholes model.

Each option entitles its holder to subscribe to one new share of Digitalist Group Plc.“

The theoretical market value of the option rights has been calculated by using the Black & Scholes method. During the financial period, EUR 0 of options (2017: EUR 172,000) were recorded in the Group’s income statement as an expense.

The main assumptions used in determining the fair value of options

Option plan	2019	2016C
Date of issue	27.8.19	19.6.18
Number of shares on date of issue	1 790 250	11 580 000
Subscription price	0,06	0,06
Share price on date of issue	31.12.23	30.9.19
Number of persons, date of issue	0,05	0,05
Number of options, 31 December 2017	0	0
Granted options	19 530 000	12 359 00
Expired option rights	0	0
Number of options, 31 Dec 2018	19 530 000	12 359 000
Volatility	76 %	76 %
Dividend yield	0 %	0 %
Closing share price, 31 Dec 2018	0,05	0,05
Closing share price, 31 Dec 2019	0,05	0,05

30. Commitments and contingent liablities

On 31 December 2018, the Group had pledged 19 company mortgages of EUR 1,000,000 each, one company mortgage of EUR 800,000, one company mortgage of EUR 55,000, two company mortgages of EUR 50,000 and one company mortgage of EUR 45,000 as a guarantee for its borrowings, credit limits in financial institutions and leasing and other commitment and two company mortgages of EUR 1,000,000 and three company mortgages of EUR 500,000 as security for its short-term borrowings from Oy Tremoko Ab. The total value of company mortgages is EUR 23,500,000.

The mortgages are pledged as security for EUR 10,353,030 of euro-denominated borrowings from financial institutions and credit limits with financial institutions.

31. Events after the financial period

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

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

32. Financial risk management

In the course of its normal business operations, the company is exposed to several financial risks. Financial risk management aims to minimise any adverse effects that changes on the finance market may have on the company profit. The main financial risks of the Digitalist Group are capital adequacy and interest rate risks.

The long-term funding of the Digitalist Group has been mainly arranged through two main financiers. The company may later decide on the issue of shares. Should the general economic situation tumble into an exceptionally long decline, it would be likely to increase the financial expenses of the Digitalist Group in proportion to the earnings from the business operations of the Digitalist Group, as during a general recession, the earning power and cash flow of the Group would be expected to decrease. These factors could also reduce the availability of external funding and the financial position of the Digitalist Group.

The financing function of the parent company is responsible for the implementation of risk management. Its task is to identify, assess and hedge against financial risk in co-operation with the business units.

Interest rate risk

The company's income and operational cash flows are largely independent of fluctuations in market rates. The company is exposed to cash flow interest rate risk through its loan portfolio, which consists of short-term and long-term variable rate borrowings. The aim of the interest rate risk management of the company is to minimise any adverse effects that changes in interest rates may inflict on the company profit. The company manages interest rate risk with various interest rate hedging instruments. The company has interest rate swaps for a total loan capital of MEUR 2.0. The company has used interest rate swaps to convert a floating rate to a fixed rate of 0.92 plus margin.

Loans from financial institutions:

"On 31 December 2019, the company had a total of MEUR 7.2 (2018: MEUR 5.5) in unhedged floating rate loan capital from financial institutions. On the closing date for 2019, these loans consist of bank account limits and floating-rate loans from financial institutions. The average interest rate in 2019 was 2.8% (2018: 2.6%). An interest rate rise of one percentage point would increase the interest costs of the floating-rate borrowings of the company by approximately EUR 72,000. The realisation of interest risks would have a negative impact on the availability of external funding and the company's financial position."

Loans to related parties:

On 31 December 2019, the company had unhedged loans in total of MEUR 16.0 (2017: MEUR 8.7) that consisted totally of fixed-rate loans to related parties. The average interest rate for related-party loans in 2019 was 5.9% (2018: 5.8%). An interest rate rise of one percentage point would increase the interest costs for these borrowings by approximately EUR 147,000 per year. The related party borrowings have been described in more detail in Note 29.

"Interest rate risk of borrowings from financial institutions should the interest rate rise by one percentage during the next year"

EUR 1,000	Amount	Average rate, %	"Interest rate sensitivity"
Loans from financial institutions:			
31.12.19	9 158	2,81	-72
31.12.18	7 458	2,61	-55
Other loans			
31.12.19	14 758	5,87	-147
31.12.18	8 672	6	-87

The interest rate hedgings of the loans have been taken into account in the calculation.

"The company does not apply IFRS 9 hedge accounting, but the changes in the fair value of derivatives acquired for hedging are recorded through profit and loss as financial income and expenses. The amount of such changes in the fair value of derivatives as were recorded through profit and loss were EUR 19,000 for the period from 1 January to 31 December 2019 and EUR 13,000 for the financial period ending 31 December 2018. Profit and loss entries related to hedging can cause variation in the financial income and expenses from one financial period to another. An interest rate rise of one percentage point would have had a positive effect of EUR 20,000 (2018: by EUR 20,000) on the fair value of the company's derivative position from the situation at 31 December 2019. The effect of taxes has not been considered in the sensitivity analyses."

Of the borrowings of the company's on 31 December 2019, 78% (2018: 73%) have floating rates. The figures include the overdrafts in use.

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

Liquidity risk

"The aim of the company's liquidity risk management is to ensure sufficient liquid assets for financing company operations and repaying the loans due. To achieve this objective, the company seeks to continuously assess and monitor the financing required by the operations. On 31 December 2019, almost all the liquid assets of the company consisted of funds in bank accounts. The function responsible for the company's financing continuously monitors the liquidity and the sufficiency of funding. Any disruptions in the cash flow from core business operations would weaken the financial position of the company."

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

Maturity of financial liabilities and loan interest. Loan limits are not presented in the table of maturity.

31.12.19	Balance sheet value	Cash flow	"Less than one year"	1–5 years	"More than five years"
Loans from financial institutions:	3 418	3 905	807	3 098	0
Convertible bonds	8 672	9 712	520	9 192	0
Other loans from related parties	6 087	7 029	7 029	0	0
Right-of-use liabilities IFRS 16	2 949	3 125	1 661	1 098	366
Trade payables	2 176	2 176	2 176		

31.12.18	Balance sheet value	Cash flow	"Less than one year"	1–5 years	"More than five years"
Bank loans	3 156	3 346	199	3 146	0
Other loans	104	123	6	117	0
Convertible bonds	8 568	10 110	514	9 596	0
Finance leasing debt	153	156	84	72	0
Trade payables	1 861	1 861	1 861	0	0

"The company has agreed with its main financier on an instalment free period for the loans until 31 December 2021. At the year-end MEUR 5.3 was used out of MEUR 5.4 revolving credit facility."

Foreign exchange risk

The functional currency of the parent is the euro. The assets and liabilities in foreign currencies, translated to euros at the exchange rates on the closing date, are as follows:

	2019				2018					
1 000 €	CAD	GBP	SEK	USD	CAD	GBP	NOK	SEK	SGD	USD
Current assets										
Other financial assets	178	14	258	202	1	89	4	135	60	0
Trade and other receivables	417	178	2 651	228	1 333	830	137	3 455	6	604
Current liabilities										
Non-interest-bearing liabilities	75	113	2 664	198	225	277	2	2 682	12	342
Open position	520	79	245	232	1 109	642	139	908	54	262

A sensitivity analysis of the translation risk associated with the Canadian dollar, British pound, Norwegian krone, Swedish krone, Singapore dollar and US dollar is presented in the following table. The sensitivity analysis takes into account effects of 5% exchange rate changes on assets and liabilities in foreign currencies at the closing date. The analysis does not include net investments in foreign units.

	2019				2018					
1 000 €	CAD	GBP	SEK	USD	CAD	GBP	NOK	SEK	SGD	USD
Effect on profit before tax	26	4	12	12	55	32	7	45	3	13

Capital management

Through an optimal capital structure, the Group's capital management aims to support the business operations by safeguarding normal operating conditions and to increase shareholder value by achieving the highest possible return. The optimal capital structure also results in smaller capital costs.

The company considers as capital both the shareholders' equity and borrowings from financial institutions and the related-party company Tremoko Oy Ab.

The capital structure is affected by, e.g., the distribution of dividends and share issues. The Group may vary and adjust the amount of dividends or capital refunds paid to shareholders, as well as the number of shares to be issued. The Group may also resolve to sell assets to reduce debt.

The group net gearing ratios were the following on 31 December 2019 and 31 December 2018:

1 000 €	2019	2018
Interest-bearing liabilities	-26 866	-16 284
Cash and cash equivalents	787	314
Interest-bearing net liabilities	-26 079	-15 969
Shareholders' equity total	-8 321	7 027
Net gearing of total equity, %	313,4 %	227,2 %

Net gearing for the equity attributable to the owners of the parent was -xx per cent.

Income statement of the parent company (FAS)

EUR	1.1.-31.12.2019	1.1.-31.12.2018
Other operating income	1 400 785	842 695
Personnel expenses		
Salaries and remuneration	-1 008 252	-881 173
Indirect employee costs		
Pension costs	-101 947	-90 386
Other indirect employee costs	-1 752	-6 535
Indirect employee costs total	-103 699	-96 920
Personnel costs total	-1 111 951	-978 094
Depreciation and write-downs		
Depreciation on tangible and intangible assets	-157 497	-126 471
Impairment of non-current assets	0	-2 000 000
Total depreciation and impairment	-157 497	-126 471
Other operating expenses	-1 676 658	-1 310 594
Expenses total	-2 946 106	-2 415 159
Operating profit	**-1 545 321**	**-1 572 464**
Financial income and expenses		
Interest and financial income		
Interest income	363 394	522 044
Other financial income	154 880	430 077
Interest and financial income total	518 274	952 121
Interest and financial expenses		
Interest expenses	-841 814	-468 115
Other financial expenses	-630 890	-303 138
Impairment of non-current assets	-15 000 643	-2 000 000
Interest and financial expenses total	-16 473 347	-2 771 252
Total financial income and expenses	-15 955 073	-1 819 131
Result for financial period	**-17 500 394**	**-3 391 595**

Balance sheet of the parent company (FAS)

EUR	31.12.19	31.12.18
ASSETS		
NON-CURRENT ASSETS		
Intangible assets		
Intangible rights	549 964	313 555
Intangible assets, total	549 964	313 555
Tangible assets		
Machinery and equipment	43 639	64 934
Other tangible assets	11 477	11 477
Tangible assets, total	55 117	76 411
Investments		
Shares in Group companies	26 070 991	42 028 273
Other shares	1 953	1 953
Investments total	26 072 944	42 030 226
Prepayments and unfinished acquisitions	0	72 532
TOTAL NON-CURRENT ASSETS	**26 678 025**	**42 492 724**
CURRENT ASSETS		
Non-current receivables		
Loan receivables	1 000 000	1 000 000
Non-current receivables total	1 000 000	1 000 000
Current receivables		
Trade receivables	5 472 490	3 253 528
Accruals	210 708	30 634
Other receivables	7 310 112	2 610 728
Current receivables total	12 993 310	5 894 890
Monetary assets		
Cash and bank deposits	49 940	51 530
CURRENT ASSETS TOTAL	**14 043 250**	**6 946 420**
ASSETS TOTAL	**40 721 275**	**49 439 143**

	31.12.2019	31.12.2018
EQUITY AND LIABILITIES		
SHAREHOLDERS' EQUITY		
Share capital	585 394	585 394
Share premium reserve	218 725	218 725
Invested non-restricted equity reserve fund	74 431 644	74 431 644
Retained earnings	-40 354 152	-36 962 557
Result for financial period	-17 500 394	-3 391 595
TOTAL SHAREHOLDERS' EQUITY	**17 381 217**	**34 881 611**
LIABILITIES		
Non-current liabilities		
Other non-current liabilities	0	0
Convertible bond	8 671 932	8 671 932
Non-current liabilities total	8 671 932	8 671 932
Current liabilities		
Financial liabilities	11 363 458	4 192 327
Trade payables	1 541 045	798 321
Other current liabilities	731 319	456 552
Accrued expenses	1 032 304	438 400
Current liabilities total	14 668 126	5 885 600
LIABILITIES TOTAL	**23 340 058**	**14 557 532**
LIABILITIES TOTAL	**40 721 275**	**49 439 143**

Parent company cash flow statement

EUR	1.1.-31.12.2019	1.1.-31.12.2018
Cash flow from operations		
Result for financial period	-17 500 394	-3 391 595
Adjustment to cash flow from operations		
Depreciation and amortisation	157 497	126 471
Impairment of subsidiaries' shares	15 000 643	2 000 000
Other adjustments	956 640	-39 067
Financial income and expenses	954 430	-180 869
Net cash generated before working capital changes, interests and tax	-431 184	-1 485 060
Change in working capital	-6 265 005	-2 904 447
Interest received	14 650	7 396
Interest paid	-191 101	-333 183
Net cash flow from operating activities	**-6 872 640**	**-4 715 294**
Cash flow from investments		
Acquisition of subsidiaries, net of cash acquired	0	197 955
Investments in property, plant and equipment and in intangible assets	-300 080	-69 500
Group loans granted	0	-2 120 053
Repayment of Group loans	0	47 873
Total cash flow from investments	**-300 080**	**-1 943 725**
Cash flow before financing	-7 172 720	-6 659 019
Cash flow from financial operations		
Increase in long-term borrowings	0	1 500 000
Increase in short-term borrowings	7 171 131	4 192 327
Repayment of short-term borrowings	0	-253 030
Proceeds from rights issues	0	400 000
Net cash flow from financing activities	**7 171 131**	**5 839 297**
Change in cash flows	**-1 588**	**-819 722**
Cash and cash equivalents at the beginning of the period	51 530	871 251
Cash and cash equivalents at the end of the period	49 942	51 530

Changes in equity of the parent company

Calculation of changes in equity	Share capital	Share premium reserve	Invested unrestricted equity reserve	Retained earnings	Total
Shareholders' equity 1 Jan 2018	585 394	218 725	65 683 787	-36 962 557	29 525 349
Rights issue	0	0	8 747 856	0	8 747 856
Profit for financial period	0	0	0	-3 391 595	-3 391 595
Shareholders' equity 31 Dec 2018	**585 394**	**218 725**	**74 431 643**	**-40 354 152**	**34 881 610**
Shareholders' equity 1 Jan 2019	585 394	218 725	74 431 643	-40 354 152	34 881 610
Result for financial period	0	0	0	-17 500 394	-17 500 394
Shareholders' equity 31 Dec 2019	**585 394**	**218 725**	**74 431 643**	**-50 854 546**	**17 381 216**

Distributable non-restricted equity

	31.12.19
Calculation of distributable non-restricted equity	
Invested unrestricted equity reserve	74 431 643
Retained earnings	-40 354 152
Result for financial period	-17 500 394
	16 577 097

Accounting policies for the financial statements

Tangible and intangible assets

Tangible and intangible assets are shown in the balance sheet at historical cost less depreciation according to plan. Depreciation begins on the month of commissioning of each asset.

Depreciation periods:

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

Investments

Long term investments are valued at the acquisition cost or lower estimated discounted future value.

The goodwill evaluation of subsidiary shares on 31 December 2018 is based on long term calculations and forecasts carried out at the Group level.

Valuation of financial assets

Derivatives
The principles of non-compensation and prudence are applied to derivative contracts. Each derivative contract is valued on the closing date. Any negative difference between the original value and the value on the closing date is recorded as an expense for the financial period. The company does not have derivative contracts at the end of the financial period.

Pensions
The pension cover of the parent company's employees is handled by external pension companies.

Pension expenditure is expensed in the year of accrual.

Foreign currency items
Receivables and liabilities denominated in foreign currencies have been translated into euros by using the exchange rate on the closing date.

The figures in the notes for the parent company are presented to the nearest euro, unless otherwise stated.

Accompanying notes to the income statement of the parent company

	2019	2018
OTHER OPERATING INCOME		
Administrative fees	1 400 785	841 169
Other items	0	1 526
Total	**1 400 785**	**842 695**
ACCOMPANYING NOTES ON PERSONNEL AND MEMBERS OF ADMINISTRATIVE BODIES		
Number of parent company's employees during the period, average	2	3
Number of parent company employees at the end of the period	2	2
Personnel expenses		
Salaries and remuneration of the management and the Board of Directors	-1 008 252	-881 173
Pension costs	-101 947	-90 386
Other personnel expenses	-1 752	-6 535
Total	**-1 111 951**	**-978 094**

It has been agreed that the company's CEO's retirement age is XX. Pension obligations are covered with payment-based pension insurance.

Auditor's fees	2019	2018
KPMG Oy Ab		
Audit fees	-58 310	-54 982
Other statutory assignments	-2 250	0
Tax advice	-16 197	-29 549
Other services	-2 500	-72 359
Auditor's fees total	-79 257	-156 890
DEPRECIATION AND IMPAIRMENT		
Depreciation according to plan		
Depreciation and amortisation of intangible rights	-136 203	-101 854
Depreciation and amortisation of tangible assets	-21 294	-24 616
Impairment of non-current assets	0	2 000 000
Total	-157 497	-126 471
FINANCIAL INCOME AND EXPENSES		
Interest and financial income		
From Group companies	363 391	522 044
Others	154 883	430 077
Total	518 274	952 121
Interest and financial expenses		
To Group companies	-51 198	-3 515
Others	-1 290 141	-767 737
Impairment of non-current assets *)	-15 132 008	-2 000 000
Total	**-16 473 347**	**-2 771 252**

*) Impairment of the acquisition costs of shares in Digitalist Finland Oy, Digitalist Sweden AB, Grow Group AB and Singapore Pte Ltd.

Accompanying notes on members of bodies

€	2019	2018
Salaries and remuneration		
Sami Paihonen, CEO (until 30 September 2017)	0	0
Ville Tolvanen, CEO (from 1 October 2017)	300 240	300 240
Board of Directors		
Rosenlew Andreas (Chairman from 28 June 2018)	50 000	26 000
Ehrnrooth Paul (Chairman until 28 June 2018)	24 750	38 500
Matikainen, Esa (Vice-Chairman from 17 April 2018)	39 250	28 500
Marttila, Päivi (Vice-Chairman from 7 April 2016)	0	11 750
Ekström Bo-Erik (from 7 April 2016)	7 500	30 500
Eloholma, Pekka (until 17 April 2018)	0	8 167
Eriksson, Peter (from 29 March 2017)	26 500	27 750
Konttinen, Samu(until 17 April 2018)	0	7 417
Pylkäs Pekka	27 250	27 000
Jaana Rosendahl (from 17 April 2018)	27 250	21 750
Ville Tolvanen (from 17 April until 28 June 2018)	19 250	7 000
Anders Liljeblad (from 28 June 2018)	26 000	13 250
Total salaries and remuneration of members of administrative bodies *)	**548 850**	**547 824**

*) including fringe benefits

Salaries and remuneration are presented on an accrual basis.

The CEO has a voluntary supplementary pension arrangement (cf. Note 29 for moe details).

Accompanying notes to the parent company balance sheet

€	2019	2018
ASSETS		
Other long-term expenses		
Acquisition cost at the beginning of the financial period	7 079 552	7 079 552
Additions during the financial period	300 080	0
Acquisition cost at the end of the financial period	7 379 632	7 079 552
Accumulated depreciation	-7 058 736	-7 033 865
Depreciation and amortisation for the financial period	-115 387	-24 871
Accumulated depreciation at the end of the financial period	-7 174 123	-7 058 736
Carrying amount at the end of the financial period	**205 509**	**20 816**
Intangible rights		
Acquisition cost at the beginning of the financial period	1 990 266	1 920 766
Additions during the financial period	72 532	69 500
Acquisition cost at the end of the financial period	**2 062 798**	**1 990 266**
Accumulated depreciation	-1 697 527	-1 620 544
Depreciation and amortisation for the financial period	-20 816	-76 983
Accumulated depreciation at the end of the financial period	-1 718 343	-1 697 527
Carrying amount at the end of the financial period	**344 455**	**292 739**

Tangible assets	2019	2018
Machinery and equipment		
Acquisition cost at the beginning of the financial period	870 175	870 175
Additions during the financial period	0	0
Acquisition cost at the end of the financial period	870 175	870 175
Accumulated depreciation	-805 241	-780 625
Depreciation and amortisation for the financial period	-21 294	-24 616
Accumulated depreciation at the end of the financial period	**-826 535**	**-805 241**
Carrying amount at the end of the financial period	43 640	64 934
Investments		
Acquisition cost at the beginning of the financial period	11 477	11 477
Additions during the financial period	**11 477**	**11 477**
Deductions for the financial period	72 532	72 532
Acquisition cost at the end of the financial period	-72 532	0
Prepayments and unfinished acquisitions	0	72 532
Total	72 532	0
NON-CURRENT RECEIVABLES		
Receivables from Group companies		
Loan receivables	1 000 000	0
Total	1 000 000	0
CURRENT RECEIVABLES		
Receivables from Group companies		
Trade receivables	3 324 710	1 300 661
Other receivables	2 610 728	5 032 491
Total	5 835 438	6 333 153
Receivables from others		
Trade receivables	28 818	0
Prepayments and accrued income	30 634	99 176
Other receivables	0	29 388
Total	59 452	128 564
Current receivables total	**5 894 890**	**6 461 716**
Prepayments and accrued income and other receivables		
Prepaid expenses	30 634	99 176
Rent guarantees	0	21 856
Others	0	7 532
Total	30 634	128 564

Subsidiaries

Company	City	Holding of parent company
Digitalist Finland Oy	Helsinki	100 %
Digitalist Sweden AB *)	Stockholm	100 %
Ixonos Estonia OÜ	Tallinn	100 %
Ixonos Germany GmbH	Berlin	100 %
Ixonos Slovakia s.r.o.	Kosice	100 %
Digitalist Canada Ltd	Vancouver	100 %
Digitalist USA Ltd.	San Francisco	100 %
Digitalist UK Ltd	London	100 %
Digitalist Singapore Pte Ltd	Singapore	100 %
Grow Holding AB	Stockholm	100 %

*) Wunderlive AB merged with Digitalist Sweden Ab through a subsidiary merger, and Digitalist Sweden AB merged with NodeOne Group AB through an up-stream merger.

Non-current receivables

Receivables from Group companies	2019	2018
Loan receivables	1 000 000	1 000 000
Total	1 000 000	1 000 000

Current receivables

Receivables from Group companies	2019	2018
Trade receivables	5 439 162	3 224 710
Loan receivables	7 310 114	2 568 644
Other receivables	0	42 083
Total	12 749 276	5 835 437
Receivables from others		
Trade receivables	33 328	28 819
Other receivables	152 843	0
Prepayments and accrued income	57 865	30 634
Total	244 036	59 453
Current receivables total	**12 993 312**	**5 894 890**

Prepayments and accrued income and other receivables	2019	2018
Prepaid expenses	57 865	30 634
Total	57 865	30 634

Accompanying notes to the parent company balance sheet

	2018	2017
LIABILITIES		
NON-CURRENT LIABILITIES		
Convertible bond	8 671 932	0
Financial liabilities	0	5 000 000
CURRENT LIABILITIES		
Financial liabilities	4 192 327	2 753 030
Liabilities to Group companies		
Trade payables	333 638	130 471
Loans and group account liabilities	300 000	1 182 953
Other liabilities	25 810	22 111
Total	**659 448**	**1 335 536**
Liabilities to others		
Trade payables	464 683	535 360
Other current liabilities	130 742	86 318
Accrued expenses	438 400	818 081
Total	**1 033 825**	**1 439 758**
Current liabilities total	**5 885 600**	**5 528 324**

Acciured expenses	**2018**	**2017**
Provision for holiday pay	58 845	99 080
Interest rate hedge	0	1 984
Others	379 555	717 017
Total	**438 400**	**818 081**

CONTINGENT LIABILITIES AND GUARANTEES

Leasing and rental liabilities	**2018**	**2017**
Leasing liabilities, 12 months	9 518	22 887
Leasing liabilities, over 12 months	15 070	19 829
Leasing liabilities, total	24 588	42 716
Rental liabilities	316 251	1 921 104
Financial guarantee contracts on behalf of Group companies	**186 601**	**2 783 540**

Contingent liabilities and guarantees

Debts for which guarantees have been given	2019	2018
Loans from financial institutions	5 277 148	4 192 316
Business mortgagesv	9 800 000	9 800 000
Other loans	6 086 311	0
Business mortgages	3 500 000	0
Total debt	11 363 459	4 192 316
Total mortgages	**13 300 000**	**9 800 000**

Leasing and rental liabilities	2019	2018
Leasing liabilities, 12 months	0	9 518
Leasing liabilities, over 12 months	0	15 070
Leasing liabilities, total	**0**	**24 588**

Rental liabilities	2019	2018
Rental liabilities, 12 months	168 600	316 251
Rental liabilities, total	**168 600**	**316 251**

Financial guarantee contracts on behalf of Group companies	2019	2018
Other guarantees	2 233 673	2 186 601

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

Helsingissä 27 / 2 2020

Petteri Puotiainen
CEO

Andreas Rosenlew
Chair of the Board of Directors

Esa Matikainen
Vice Chair of the Board Directors

Paul Ehrnrooth
Member of the Board of Directors

Anders Liljeblad
Member of the Board of Directors

Peter Eriksson
Member of the Board of Directors

Jaana Rosendahl
Member of the Board of Directors

Pekka Pylkäs
Member of the Board of Directors

Ville Tolvanen
Member of the Board of Directors

Tilinpäätösmerkintä

An auitor's report has been issued today.

Helsingissä 27 / 2 2020

KPMG Oy

Authorised Public Accountants

Esa Kailiala

Authorised Public Accountant, KHT