THE DIGITALIST GROUP HALF-YEAR REPORT 1.1.-30.6.2017

THE TURNOVER GREW AND THE RESULT IMPROVED

SUMMARY

April - June 2017 (the figures for 2016 in brackets):

- Turnover 4.7 (3.8) MEUR, a growth of 21.9%.
- Earnings before interests and taxes (EBITDA) -1.1 MEUR, -22.7% of turnover, (-2.3, -59.6 %).
- Operating result -1.2 MEUR, -26.3% of turnover (-2.4, -62.7%),
- Net loss -1.8 MEUR, -39.0% of turnover (-2.9, -75.9%).
- Earnings per share (diluted and undiluted) -0.00 (-0.01) euros.
- Net cash flow from operations -2.3 (-1.6) MEUR.

Report period January - June 2017 (the figures for 2016 in brackets):

- Turnover 8.9 (7.7) MEUR, a growth of 15.2 %.
- Earnings before interests and taxes (EBITDA) -1.8 MEUR, -19.7% of turnover, (-4.4, -59.9 %).
- Operating result -2.0 MEUR, -22.8% of turnover (-4.6, -60.0%),
- Net loss -3.1 MEUR, -34.3% of turnover (-5.7, -74.1 %).
- Earnings per share (diluted and undiluted) -0.01 (-0.02) euros.
- Net cash flow from operations -4.2 (-3.4) MEUR.

Prospects for the future

The operating result is expected to improve compared to 2016.

CEO overview

“During the second quarter of 2017 we continued our renewal process and implemented changes in our company. At the end of March, we announced the acquisition of InterQuest Oy. The integration that followed has gone very well, and we are pleased at how fast and successfully it has started. With this acquisition, we extended our offering concerning user experience research to include quantitive services based on LeanLab™ tools. Based on customer demand we believe that the user experience research offering will continue to grow and it will help us to develop this business area further. In April, the Company bought the #Digitalist business from Rome Advisors and consequently our company's name was changed from Ixonos Oyj to Digitalist Group Oyj. We aimed at several benefits with this transaction.

Firstly, we wanted to enforce the consultative development and marketing skills by appointing Ville Tolvanen, one of the most important names in the field, as our Chief Digital Officer (CDO). Secondly, we wish to support the Digitalist Network formed around Digitalist, helping to further the entire digitalisation process in Finland. We will continue to arrange, together with our partners, the well-recognised Digitalist Network events in Finland and abroad. This is a way to benefit the network with our input. Thirdly, we believe that the new name, Digitalist Group, better tells what our company does and produces for its customers. That is, in short, high-class and innovative digital services and products that enable our customers to strengthen their existing business and to create new solutions.

Our turnover continued to grow, as it increased by about one fifth compared to the same period last year. The increase in turnover was based both on deepening the collaboration with existing customers as well as on favourable development on new customers side. Concerning profitability, we are in the right direction, even though there was an influence on profitability by, among other things, the corporate and business transactions performed during the period under survey, as they brought with them one-time expenses. As a company, we aim at profitable growth, and we believe that the projects implemented now will help with this goal. We will continue our determined work to build an international company, and we believe that this work will benefit, for example, our customers in Finland, as we can bring to them international insight and experience.

We will keep on developing our company, and we strongly believe in our high-class line of offerings that ranges from user and user experience planning to digital design and strong technological knowhow. We offer the modules mentioned above both separately and as packages. Especially, the synergy brought by packaged service offering is a substantial asset to our customers. We aim at being a unique partner to our customers. This means combining innovativeness, trustworthiness, flexibility and a willingness to develop things together with our customers by way of challenging them to demand more from us and from themselves. Our strengthening international operations give us ‘excellent tools for this purpose."

/ Sami Paihonen, CEO

REPORTING BY SEGMENT

Digitalist Group reports its business operations as one segment.

TURNOVER

During the second quarter, the Group's turnover was 4.7 (3.8) MEUR, that is 21.9 % more than during the previous year.

During the period under survey, the Group's turnover was 8.9 (7.7) MEUR, that is 15.2 % more than during the previous year.

The business operations in Finland and in Great Britain have developed positively, and the company believes that the business operations in the United States shall develop positively.

During the period under survey, the share of any one customer has not been decisive and has not been more than 10 % of the turnover.

RESULT

During the second quarter, the operating result was -1.2 (-2.4) MEUR and the result before taxes was -2.1 (-2.9) MEUR. The net loss for the second quarter was -1.8 (-2.9) MEUR, the earnings per share were -0.00 (-0.01) euros and the cash flow from operations/share was -0.01 (-0.01) euros.

The operating result for the period under survey was -2.0 (-4.6) MEUR and the result before taxes was -3.3 (-5.7) MEUR. The net loss for the period under survey was -3.1 (-5.7) MEUR. The deferred tax liablity items reversed during the period under survey, a total of 0.2 euros, had a positive effect on the net result. In addition, the impact from the changes in the exchange rates in the intra-group balance sheet items of 9.6 (7.7) MEUR, totalling to -0.5 (-0.5) million euros, was taken into account. The result of the period under survey include impact from expenses related to business acquisitions, total of -0.3 million euros.

The earnings per share were -0.01 (-0.01) euros and the cash flow from operations/share was -0.01 (-0.01) euros. The result for the period under survey improved compared to the previous year due to both the growth in sales and the reduced amount of costs.

RETURN ON CAPITAL

The Group's equity was negative -4.7 (-0.4) MEUR. As the Group's equity was negative, the return on equity (ROE) was not calculated for the period under survey. The equity was negative only for the Group consolidated accounts, not for the parent company.

The return on investment (ROI) was -26.1 (-2.3) per cent.

INVESTMENTS

The investments during the period under survey were 2.0 (0.0) MEUR. The investments concerned the business combination transactions done. All the product development costs are included in the Group's result and no product development costs were activated into the balance sheet during the period under survey.

BALANCE SHEET AND FINANCING

The balance sheet net total was 18.6 (16.9) MEUR. The shareholders' equity was -4.7 (-0.4) MEUR. The equity ratio for the entire shareholders' equity was -26.1 (-2.3) %. The Group's liquid assets at the end of the financial period were 1.0 (0.4) MEUR. The minority share of the shareholders' equity was 0.0 (0.2) MEUR.

The change in the company shareholders' equity during the period under survey was caused by the result showing a loss. As well the shareholders' equity was impacted be the shares emissions done, total of 2.0 MEUR related to acquisition arrangements during the period under survey.

At the end of the period under survey, the Group balance included 2.8 (3.0) MEUR worth of financing institute loans that included the bank account limits in use. Some of the financing loan agreements contain covenant clauses concerning the company's solvency. These are looked at for the first time on 31/12/2017.

In addition to this, the company has loans and a convertible bond from its principal owner. The overall loans carrying interest on 30 June 2017 were 16.8 (10.4) MEUR. Out of these, 13.9 (7.1) MEUR were related party company loans. The loan agreements concluded with related party companies during the period under survey are included in this report under "Related party events".

CASH FLOW

The Group's cash flow from operations during the period under survey was -4.2 (-3.4) MEUR, a change of -23.4%. The worsening of the cash flow from operations was mainly caused by non-profitable result and change in net working capital. The prepayments received on comparison period as well as less amount of sold receivables during the period under survey contributed to adverse development in net working capital.

In order to shorten the turnover of sales receivables the Group sells part of its account receivables in Finland. During the period under survey, a total of 1.4 (3.0) MEUR of sales receivables were sold.

GOODWILL

On 30/06/2017, the Group's balance sheet included 11.9 (11.5) MEUR worth of goodwill.

The following parameters were used for testing goodwill:
- The length of the review period was 4 years
- The WACC discount rate was 11 per cent
- The growth estimate of 1 per cent was applied to terminal value calculation.

On 30/06/2017 the goodwill testing did not indicate a need to impair goodwill. The present value of the future cash flows surpassed the carrying value of the assets by 22.7 MEUR.

On 30/06/2017, the net present value of the discounted cash flow indicated by the calculation, 35.0 MEUR, is lower than the total sum consisting of the company's financing debts of 16.8 MEUR and the 41.9 MEUR market price of the shares.

PERSONNEL

The average number of personnel during the period under survey was 178 (197), and it was 189 (191) at the end of the period. At the end of the period under survey, 156 (156) of the Group's personnel was employed by the companies in Finland and 33 (35) were employed by the Group's companies abroad. During the period under survey, the personnel grew by 20 employees.

THE SHARES AND THE SHARE CAPITAL

Trading and share prices

During the period under survey, the highest price of the company's shares was 0.160 (0.07) euros, the lowest price was 0.104 (0.06) euros and the closing rate on 30/06/2017 was 0.113 (0.06) euros. The average share price for the period under survey was 0.129 (0.06) euros. During the period under survey, a total of 25,872,350 (6,912,701) shares were traded, which represents 6.98 (1.96) % of the number of shares at the end of the period. The market value of the share capital indicated by the survey period’s closing rate on 30/06/2017 was €41,872,104 (€21,213,894).

Share capital

At the beginning of the period under survey, the company’s registered share capital was €585,394.16 and the number of shares was 353,564,898. At the end of the period, the share capital was €585,394.16 and the number of shares was 370,549,597.

The option programmes in 2011, 2014 and 2016

Digitalist Group Oyj has three option programmes: The programmes for 2011, 2014 and 2016, the maximum number of shares for subscription in these is 42,018,526 new company shares. The details of the option programmes are available on the company’s pages at www.digitalistgroup.com.

Shareholders

The number of shareholders on 30/06/2017 was 3,873 (3,081). Private persons own 13.7% (12.6%), corporations own 85.8% (86.8%) and foreigners own 0.5% (0.5%). The administrative register contained 1.3% (1.8%) of the shares.

The share of ownership of Tremoko Oy Ab, a related party of the company, is 78.4%. The share of ownership can be raised to 78.5 %, if options are utilised.

Related party events

On 03/02/2017, the company concluded an agreement with Tremoko Oy Ab about additional financing for working capital. The loan agreement to be made enables a maximum of 1.0 MEUR of additional financing, if necessary.

On 03/03/2017, the company approved the binding offer by its principal owner Tremoko Oy Ab concerning a financing arrangement of a maximum of 2.0 MEUR (“Financing Arrangement”). The additional financing arrangement concluded before between Digitalist Group Oyj and Tremoko Oy, worth 1.0 MEUR, shall be combined with the Financing Arrangement. The previous arrangement was publicised on 03/02/2017. The Financing Arrangement now concluded enables thus Digitalist Group Oyj to have 1.0 MEUR more additional financing compared to the situation before, if so required. The additional financing according to the Financing Arrangement is due for repayment at the latest on 31/01/2019.

On 23/05/2017, the company agreed with its principal owner Tremoko Oy Ab, that the financing limit now in force (announced on 03/03/2017) shall be raised from 2.0 MEUR to 4.6 MEUR ("Financing Arrangement"). This means that the Financing Arrangement now concluded enables Digitalist Group Oyj to have 2.6 MEUR more additional financing compared to the situation before, if so required. The additional financing according to the Financing Arrangement is due for payment at the latest on 31/01/2019.

OTHER EVENTS DURING THE SECOND QUARTER

The Interquest Oy company acquisition was finalised and the acquired company became a part of the Group. With the acquisition, the Group further strengthened its global position as a leading producer of comprehensive digital transformation services, and it enables to its customers a wider, deeper and quicker global service. After the company acquisition, the Group became the biggest user insight firm in the Nordic countries that is capable of modern user experience research.

The company bought the Digitalist business of the Finnish company Rome Advisors Oy, together with the intellectual property rights and the brands involved. The company acquisition complements the carrying out of the company's strategy, and the renewed company shall work as a pathfinder in deploying digitalisation knowhow in various fields.

The company's extraordinary general meeting on 19/05/2015 decided, as proposed by the board of directors, to amend Section 1 of the company's articles of association to read as follows:
The company name is Digitalist Group Oyj, Digitalist Group Abp in Swedish and Digitalist Group Plc in English. The registered office of the company is Helsinki.

Annual General Meeting on 29/03/2017, Extraordinary General Meeting on 19/05/2017

The company held its annual general meeting on 29/03/2017 and an extraordinary general meeting was held on 19/05/2017. The minutes of the general meetings, together with the decisions made, are available at the company's pages at www.digitalistgroup.com.

The stock exchange releases for the period under survey are available at the company's pages at www.digitalistgroup.com/investors/releases.

EVENTS AFTER THE REPORTING PERIOD

On 12/07/2017, Hans Parvikoski was appointed as the Chief Financial Officer (CFO) and as a member of the management group of Digitalist Group. He will start in his post on 11/10/2017. In his new assignment, Mr. Parvikoski joins the existing upper management's incentive programme.

On 06/07/2017, Digitalist Group Oyj ("Digitalist Group") signed an agreement by which NodeOne Group AB, the Swedish parent company of Wunderkraut Sweden AB ("Wunderkraut Sweden"), becomes a part of the Digitalist Group. This requires that certain execution terms of the transaction be met. In case the transaction is finalised, Digitalist Group expands its activities to Sweden and strengthens its internet pages' design and development service line to a marked extent. With the transaction being finalised, Digitalist Group will bring to the Swedish market its complete "Discover – Design – Deliver" offering through which the customers can get their digitalisation services from one place. Wunderkraut Sweden has a strong reputation as a leading company in Sweden specialising in digital and internet page development. Its customer satisfaction is rated as very high and its excellent team is constantly involved in assignments and projects. NodeOne Group ABs turnover in 2016 totalled to SEK 37.3 million and net result SEK 2.7 million. The group employs 45 heads at the moment.

On 04/07/2017, the Finnish Financial Supervisory Authority approved Digitalist Group Oyj's registration document as required by the Securities Markets Act ("Registration Document"). The Registration Document contains information about the company, its business activities and financial standing. The Registration Document is in force for 12 months after its approval.

The Group has received an advance payment of around EUR 1 million from Savox Communications Oy on basis of a product development agreement between the companies, announced on 20/6/2016.

RISK MANAGEMENT AND MATTERS LEADING TO UNCERTAINTY IN THE NEAR FUTURE

The goal of Digitalist Group Oyj's risk management is to ensure the undisturbed continuation of the company's operations and development, and to support the realizing of the business goals set by the company, as well as to support the increase of the company's value. More exact information about the risk management organisation, processes and identified risks are available at the company's pages at www.dgitalistgroup.com.

As of late, the company's result has shown a loss, even despite the activities made to intensify operations. The unprofitable result has had an immediate effect on the sufficient level of the company's working capital. This risk is managed by keeping up a preparedness for various financing solutions.

Any changes in the key customer relations might have a negative effect on Digitalist Group's operations, ability to produce a profit and financial standing. In case any of the biggest customers was to divert its acquisitions from Digitalist Group to its competitors, or would change its operation model radically, the possibilities to find compensatory customer volume at a short notice would be restricted.

The structure of the Group's turnover and its contents have changed. The Group's operations are mainly made up of individual customer agreements, which often comprise of a relatively short term. The predicting of the launching and extent of new projects is challenging at times, while at the same time the cost structure is for the most part a fixed one. The matters mentioned above may cause unpredicted fluctuation in the turnover and, because of this, in the profitability.

A certain part of the Group's business operations is made up of fixed-price project deliveries. The fixed-price project deliveries form a risk related to time and content. The aim is to manage this risk by using contract and project management tools.

Part of the Group's turnover is invoiced for in other currencies than euros. The exchange rate risk is managed by various means, amongst other things through optimizing net positions and hedging agreements.

The Group has a subsidiary in England. Estimations about the effects of Brexit on the subsidiary's operations have been assessed, and the estimate is that the effect is limited.

The Group has in its balance sheet a substantial amount of goodwill that is prone to the risk of impairment in case the future expectations for yield from the Group's cash flow go down due to either inner or outer factors. The goodwill is tested for impairment each quarter, and at other times, if needed.

Some of the Group's bank loans (EUR 0.4 million) contain financing covenants, the breaching of which could lead to, either, the rising of the company's financing expenses, or to a demand for the partial or complete rapid repayment of the bank loans. The biggest risks for the covenants entering into force are to do with the fluctuation of the operating margin due to the market situation, or to an eventual need to increase the company's working capital by using liabilities-based financing. This risk is managed through negotiations and by keeping up a preparedness for various financing solutions.

THE LONG-TERM GOALS AND STRATEGY

The long-term goal of Digitalist Group is to reach an operating profit level of at least 10 per cent. In order to reach the long-term goals, Digitalist Group concentrates in its strategy to deepen its service and solution businesses, as well as on the seamless unifying of user and usage research, design and technology. We aim at new customer relationships within the various segments by always using our unique way of producing business benefits to our customers by way of digital and mobile services.

THE NEXT REPORTS

Interim report 1-9/2017 on Friday 03/11/2017.

DIGITALIST GROUP OYJ
Board of Directors

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DIGITALIST GROUP

A SUMMARY OF THE INTERIM REPORT WITH NOTES 1.1.-30.6.2017

CONSOLIDATED INCOME STATEMENT, 1000 EUR

	1. 4. - 30.6. 17	1. 4. - 30.6. 16	Change %	1. 1. - 30.6. 17	1. 1. - 30.6. 16	Change %	1. 1. - 31.12. 2016
Turnover	4 667	3 830	21.9	8 903	7 730	15.2	15 256
Operating expenses	-5 896	-6 229	5.3	-10 929	-12 370	11.6	-22 993
OPERATING RESULT	-1 229	-2 400	48.8	-2 027	-4 640	56.3	-7 736
Financing income and expenses	-826	-506	-63.2	-1 265	-1 084	-16.7	-1 811
Result before taxes	-2 055	-2 905	29.3	-3 292	-5 724	42.5	-9 547
Income tax	237	-1		237	-1		-2
NET RESULT FOR THE FINANCIAL PERIOD	-1 818	-2 906	37.4	-3 055	-5 725	46.6	-9 550
Distribution: To parent company owners	-1 818	-2 906	37.4	-3 055	-5 723	46.6	-9 550
To owners without authority	0	0		0	-2		0
Earnings per share: Undiluted, euros	0.00	-0.01	-40.3	-0.01	-0.02	-49.1	-0.03
Diluted, euros	0.00	-0.01	-40.3	-0.01	-0.02	-49.1	-0.03

EXTENSIVE INCOME STATEMENT, 1000 EUR

	1. 4. - 30.6. 17	1. 4. - 30.6. 16	Change %	1. 1. - 30.6. 17	1. 1. - 30.6. 16	Change %	1. 1. - 31.12. 2016
Net result for the financial period	-1 818	-2 906	37.4	-3 055	-5 725	46.6	-9 550
Other extensive income statement items							
Change in translation difference	370	156	137.2	403	530	24.0	538
RESULT FOR THE FINANCIAL PERIOD, extensive statement	-1 448	-2 751	47.4	-2 652	-5 195	49.0	-9 012

CONSOLIDATED BALANCE SHEET, 1000 EUR

ASSETS	30.06.2017	30.06.2016	31.12.2016
LONG-TERM ASSETS			
Goodwill	11 876	11 543	11 543
Other intangible assets	1 781	393	323
Tangible fixed assets	318	325	340
Saleable investments	8	8	8
Account receivables	76	0	156
TOTAL LONG-TERM ASSETS	14 058	12 269	12 370
SHORT-TERM ASSETS			
Account receivables and other receivables	3 622	4 278	3 304
Cash, Bank	965	347	422
TOTAL SHORT-TERM ASSETS	4 586	4 625	3 726
TOTAL ASSETS	18 645	16 894	16 096
SHAREHOLDERS’ EQUITY AND LIABILITIES	30.06.2017	30.06.2016	31.12.2016
SHAREHOLDERS’ EQUITY			
Share capital	585	585	585
Premium fund	219	219	219
Invested unrestricted equity fund	49 200	46 969	47 191
Retained earnings	-51 687	-42 665	-42 645
Net result for the financial period	-3 055	-5 723	-9 550
Equity attributable to equity holders of the parent	-4 738	- 614	-4 199
Non-controlling interests	0	- 219	0
TOTAL SHAREHOLDERS’ EQUITY	-4 738	- 395	-4 199
LIABILITIES			
Long-term liabilities	14 278	7 493	10 215
Short-term liabilities	9 105	9 796	10 078
TOTAL LIABILITIES	23 383	17 288	20 294
TOTAL SHAREHOLDERS’ EQUITY AND LIABILITIES	18 645	16 894	16 095

CALCULATION ABOUT THE CHANGES IN THE CONSOLIDATED SHAREHOLDERS' EQUITY, 1000 EUR

A: Share capital
B: Premium fund
C: Share issue
D: Invested unrestricted equity fund
E: Translation difference
F: Retained earnings
G: Total shareholders' equity belonging to parent company owners
H: Share of the owners without authority
I: Total shareholders' equity

	A	B	C	D	E	F	G	H	I
Shareholders' equity 01/01/2016	585	219	0	46 994	- 258	-45 054	2 487	221	2 708
Other changes									
Net result for the financial period						-5 723	-5 723	- 2	-5 725
Other extensive result items									
Change in translation difference					530		530		530
Events pertaining to the shareholders Share issue						2 114	2 114		2 114
Shareholders' equity acquisition expenses				- 25			- 25		- 25
Rewards based on shares						3	3		3
Shareholders' equity 30/06/2016	585	219	0	46 969	272	-48 660	- 614	219	- 395

Shareholders' equity 01/01/2017	585	219	0	47 190	280	-52 475	-4 199	0	-4 199
Other changes									
Net result for the financial period						-3 055	-3 055		-3 055
Other extensive result items									
Change in translation difference					403		403		403

Events pertaining to the shareholders: Share issue			2 031				2 031		2 031
Shareholders' equity acquisition expenses				- 23			- 23		- 23
Rewards based on shares						104	104		104
Shareholders' equity 30/06/2017	585	219	2 031	47 169	684	-55 426	-4 738	0	-4 738

CONSOLIDATED CASH FLOW STATEMENT, 1000 EUR

	1.1.-30.6.2017	1.1.-30.6.2016	1.1.-31.12.2016
Cash flow from business operations			
Net result for the financial period	-3 055	-5 725	-9 550
Adjustments of the cash flow from business operations			
Income tax	- 237	1	1
Other income and expenses without payments	0	0	500
Depreciation and write-downs	271	743	505
Financing income and expenses	1 265	873	1 511
Other adjustments	- 446	- 469	- 997
Funds from operations before change in working capital	-2 201	-4 577	-8 029
Change in working capital	-1 317	1 366	2 841
Interests received	4	1	2
Interests paid	- 661	- 194	- 280
Taxes paid	- 25	- 1	- 1
Net cash flow from business operations	-4 201	-3 405	-5 467
Compensation from the M&A transactions	0	400	550
Acquisition of subsidiaries, net of funds at acquisition	305	0	0
Investments into tangible and intangible assets	- 106	- 47	- 364
Sales of tangible assets	0	0	47
Net cash flow from investments	199	353	233
Net cash flow before financing	-4 001	-3 052	-5 234

Cash flow from financing			
Long-term loan withdrawals	4 440	1 894	4 394
Short-term loan withdrawals	2 003	48	47
Short-term loan instalments	-2 127	- 127	- 253
Payments from share subscriptions	300	0	0
Shareholders' equity acquisition expenses	- 23	- 25	24
Financial leasing payments	- 48	- 292	- 457
Net cash flow from financing	4 545	1 498	3 755
Change in funds	543	-1 554	-1 479
Funds at the beginning of the financial period	422	1 901	1 901
Funds at the end of the financial period	965	347	422

The principles for drawing up the statements

These financial statements were drawn up according to IAS 34, Interim Reports standards and the principles for Interim Financial Statements. The changes in the IFRS standards that entered into force on 01/01/2017, and their interpretations, did not have an essential effect on the consolidated financial statements.

In order to apply the IFRS 15 standard, the Group has gone through all the agreements that were implemented during the period under survey. Based on the said agreements, the IFRS 15 standard does not have an essential effect on the income recognition of sales proceeds. The company continues the efforts in connection with implementing the said standard.

Drawing up the financial statements according to the IFRS standards requires that the company's management use such estimates and suppositions that have an effect on the amount of the assets, debts, revenues and expenses at the time when the balance sheet is drawn up. Additionally, special care must be taken when the principles for drawing up the financial statements are applied. Since the estimates and suppositions are based on the views at the time when the report on the financial statements is released, they include risks and uncertainties. The actual final outcome may differ from the estimates and suppositions made.

The figures in the income statement and balance sheet apply for the entire Group. The consolidated balance sheet is a combination of all the Group companies. The original interim report is in Finnish. The English-language report is a translation of the original.

The figures in the report are rounded up. This means that the sum total of the single figures might differ from the sum totals that are presented. The interim report has not been audited.

The continuation of activities

This interim report was drawn up according to the principle of continuing activities, taking into account the company's financing arrangements and forecast for the business operations in 2017. The forecasts take into account the probable, or foreseeable, changes in the future expectations, both for the part of the income flow and the expected expenses.

At the time of announcing the financial statements the company estimates that its working capital will be sufficient for the next 12 months.

Some of the company's bank loans include covenant terms that will be reviewed for the next time on 31/12/2017.

The impairment testing of the goodwill

On 30/06/2017, Digitalist Group performed the impairment test for the loss in value of the goodwill. Starting from 01/11/2013, the goodwill has been attributed to one cash generating unit.

According to the goodwill testing, the present value of the future cash flows surpassed the tested amount by 22.7 MEUR, meaning that there was no need for impairment. At the end of the financial period, the carrying value of the goodwill amounted to 11.9 MEUR. On 30/06/2017, the present value of the cash flow indicated by the calculation, at 35.0 MEUR, is lower than the sum total made up of the company's financing debts of 16.8 MEUR and the 41.9 MEUR market price of the shares.

The company tests its goodwill against discounted cash flow value of the operation. The impairment testing made on 30/06/2017 included the cash flow forecasting period of Q3 2017 – Q2 2021.

For the part of 2017, the estimate was based on a moderate growth rate. During 2018-2021 a growth of an average 15 per cent is predicted as digitalisation will include an increasing part of the business world. The forecast assumes that the operating profit will rise to 9 per cent on average.

The assets tested by this method are compared to the value of discounted cash flow that they produce during a chosen period, taking into account the discount rate and the growth coefficient of the cash flow after the prediction period. The discount rate applied is 11 per cent p.a. The growth coefficient for the cash flow after the prediction period is 1 per cent p.a. The weighted average operating profit rate for the period is used when calculating the terminal period value.

The most important sensitivity factors for testing goodwill are, in addition to the cash flow predictions and suppositions, the terminal value growth per cent and the discount rate used. In case the terminal value growth per cent used were -85 per cent, instead of one per cent, the goodwill would have corresponded to the tested amount. In case the discount rate used were 29.5 per cent, instead of 11 per cent, the goodwill would have corresponded to the tested amount. In case the business profit per cent were 0.1 per cent on average, instead of 9 per cent, the goodwill would have corresponded to the tested amount.

Loan covenants

On 30/06/2017, the company had a total of 2.8 MEUR of financing loans. The capital amount of the loans that included a covenant clause was 0.4 (0.6) MEUR on 30/06/2017.

The said loan agreements contain covenant concerning the company's equity ratio, defined so that included in the equity calculation are also the loans and the financing limits received from the principal owner. The covenant clause will be reviewed for the next time on 31/12/2017 after which it shall be reviewed semi-annually. In case the company does not fulfil the covenant determined in the agreement, the financier has the right to terminate for repayment the loans under the covenant terms. The equity ratio calculated according to the covenant of the loan agreements must be at least 30 per cent. On 30/06/2017, the company's equity ratio, according to the covenant definition was 49.4 per cent.

The due dates of the loans under covenant terms:

Period	Amount of the instalment 1000 EUR
01/01- 31/12/2017	253
01/01/ - 31/12/2018	253

CONSOLIDATED INCOME STATEMENT FOR EACH QUARTER, 1000 EUR

	Q2/2017 1.4.-30.6.17	Q1/2017 1.1.-31.3.17	Q4/2016 1.10-31.12.16	Q3/2016 1.7.-30.9.16	Q2/2016 1.4.-30.6.16	Q1/2016 1.1.-31.3.16
Turnover	4 667	4 236	4 489	3 037	3 830	3 901
Operating expenses	-5 896	-5 034	-5 572	-5 050	-6 229	-6 141
OPERATING RESULT	-1 229	- 798	-1 083	-2 014	-2 400	-2 240
Financing income and expenses	- 826	- 440	- 231	- 495	- 506	- 578
Result before taxes	-2 055	-1 237	-1 341	-2 510	-2 905	-2 818
Income tax	237	0	- 1	0	- 1	0
RESULT FOR THE COMPARISON PERIOD	-1 818	-1 237	-1 315	-2 510	-2 906	-2 819

CHANGES IN FIXED ASSETS, 1000 EUR

	Goodwill	Intangible assets	Tangible fixed asset commodities	Saleable investments	Total
Book value 01/01/2016	12 043	548	372	23	12 986
Additions	0	0	44	0	44
Exchange rate changes	0	0	- 3	- 15	- 18
Deductions and transfers	0	0	0	0	0
Business divestments	- 500	0	0	0	- 500
Reductions in value	0	0	0	0	0
Depreciations during the reporting period	0	- 156	- 87	0	- 243
Book value 30/06/2016	11 543	393	325	8	12 269
Book value 01/01/2017	11 543	323	340	8	12 214
Additions	333	1 675	37	0	2 045
Exchange rate changes	0	0	- 4	0	- 4
Deductions and transfers	0	0	0	0	0
Reductions in value	0	0	0	0	0
Depreciations during the reporting period	0	- 217	- 55	0	- 272
Book value 30/06/2017	11 876	1 781	318	8	13 983

KEY FIGURES

ASSETS	1.1.-30.6.2017	1.1.-30.6.2016	1.1.-31.12.2016
Earnings per share, EUR, diluted	0.00	-0.01	- 0,03
Earnings per share, EUR	0.00	-0,01	-0 03
Shareholders' equity per share, EUR	-0,02	0,00	-0,01
Cash flow from business operations per share, EUR, diluted	0,00	-0,05	-0,01
Cash flow from business operations per share, EUR	-0,01	-0,005	-0,01
Return on investment, %	-54,2	-34,8	-70,1
Return on equity, %	309,6	-900,8	1,5
Operating profit/turnover, %	-18,8	-57,4	-50,7
Gearing for the entire equity, %	-259,7	4 424.2	-288,3
Equity ratio for the entire equity, %	-33,5	1,3	-26,1
Equity ratio without minority share, %	-33,5	0,1	-26,1
Earnings before interests and taxes (EBITDA), 1000 EUR	- 697	-2 113	-7 231

OTHER INFORMATION

	1.1.-30.6.2017	1.1.-30.6.2016	1.1.-31.12.2016
PERSONNEL on average	178	197	188
Personnel at the end of the financial period	189	191	174
SECURITIES, 1000 EUR			
Securities for own commitments			
Company mortgages	23 500	23 500	23 500
Guarantees	0	0	0
Leasing and other rent responsibilities			
Due within 1 year	962	1 203	831
Due within 1-5 years	1 334	764	1 307
Due after 5 years	0	0	0
Total	2 296	1 967	2 138

Nominal value of the interest rate swap agreement			
Due within 1 year	253	253	253
Due within 1-5 years	127	380	253
Due after 5 years	0	0	0
Total	380	633	506
Book value	- 4	- 11	- 7

THE BASIS FOR CALCULATING THE KEY FIGURES

EBITDA Earnings before interests, taxes, depreciations and amortizations

Diluted result per share = Net profit for the financial period / the average amount of share issue adjusted shares, adjusted by the dilution effect.

Result per share = Profit for the financial period / average amount of share issue adjusted shares.

Equity per share = Equity / the undiluted number of shares on the day the books were closed.

Cash flow from business operations / share, EUR diluted = net cash flow from business operations / the average amount of share issue adjusted shares, adjusted by the dilution effect.

Return on investment (ROI) = (Profit before taxes + interest expenses + other financing expenses) / (Balance sheet total - debts without interest (average)) x 100

Return on equity (ROE) = net result / total shareholders' equity (average) x 100

Gearing = debts with interest - liquid assets / total shareholders' equity x 100