

DIGITALIST GROUP INTERIM REPORT 1 JANUARY - 30 JUNE 2018**DIGITALIST 2018 – INTERNATIONALIZING GROWTH****SUMMARY****April – June 2018 (figures for 2017 in brackets):**

- Turnover EUR 6.2 million (EUR 4.7 million), growth of 32.6%.
- Earnings before interest, taxes, depreciation, and amortisation (EBITDA) EUR -1.1 million (EUR -1.1 million), -18.5% of turnover (-22.7%).
- Operating result EUR -1.5 million (EUR -1.2 million), -24.6% of turnover (-26.3%).
- Net result EUR -1.2 million (EUR -1.8 million), -19.6% of turnover (-39.0%).
- Earnings per share (diluted and undiluted) EUR -0.00 (EUR -0.00).
- Cash flow from operating activities EUR -1.7 million (EUR -2.3 million).

Review period January – June 2018 (figures for 2017 in brackets):

- Turnover EUR 11.5 million (EUR 8.9 million), growth of 28.9%.
- Earnings before interest, taxes, depreciation, and amortisation (EBITDA) EUR -3.2 million (EUR -1.8 million), -28.0% of turnover, (-19.7%).
- Operating result EUR -3.9 million (EUR -2.0 million), -34.4% of turnover (-22.8%).
- Net result EUR -3.9 million (EUR -3.1 million), -34.4% of turnover (-34.3%).
- Earnings per share (diluted and undiluted) EUR -0.01 (-0.01).
- Cash flow from operating activities EUR -3.4 million (EUR -4.2 million).
- Number of employees at the end of the review period 280 (189), growth of 48.1%.

Future prospects

Growth of turnover is expected to continue and operating result is expected to improve in 2018 compared to the previous year.

CEO's review

Digitalist Group grows and becomes more international. The growth is due to key accounts and the acquisition of Grow Holding AB carried out in May. Together, Digitalist Group and Grow will concentrate on the development and design of comprehensive customer experiences for the clients. Grow strengthens Digitalist Group by adding capabilities within strategy,

comprehensiveness and new key accounts. The industry knowhow of both companies complement each other and increases the role and value of Digitalist Group at their key clients.

During the second quarter, Digitalist Group grew by 33%, and the share of turnover from outside of Finland was 59%. During the first half year, the order intake grew by more than 70% compared to the reference period, hence creating better conditions for the rest of the year. The profitability of the company improved significantly in the second quarter compared to the first quarter. The result includes significant costs related to the carried out acquisitions, without which the operating result of the second quarter would have improved compared to the reference period.

During the review period, the company focused in developing its key accounts. The business operations of North America were strengthened with new key persons during the second quarter. The company signed an agreement in May to acquire Grow Holding AB and started the integration of business operations after finalizing the purchase. The Board of Directors of the company was strengthened in June 2018 and Andreas Rosenlew started as the fulltime Chairman of the Board.

Digitalist Group helps companies and communities to generate and build new services and comprehensive customer experiences. The key accounts of the company include e.g. Finning, Electrolux, Nokia, Honda, Spotify, Google, Tikkurila, Volvo Group and Finnair. The company operates in seven different studios in five different countries. The company is one of the most international companies in its reference group combining expertise in research, branding, design and technology. The target for 2018 is to improve profitability, and to grow and globalize through the key accounts.

/ Ville Tolvanen, CEO

SEGMENT REPORTING

Digitalist Group reports its operations as a single segment.

TURNOVER

In the second quarter, the turnover of the Group was EUR 6.2 million (EUR 4.7 million), which is 32.6% more than in the previous year.

The turnover of the Group in the review period was EUR 11.5 million (EUR 8.9 million), which was 28.9% more than in the previous year. The growth was due to the expansion of the international business. The share of turnover from outside of Finland comprised already more than half of the total turnover in the review period, totalling 54% (15 %).

RESULT

In the second quarter, the earnings before interest, taxes, depreciation and amortisation (EBITDA) was EUR -1.1 million (EUR -1.1 million), operating result was EUR -1.5 million (EUR -1.2 million) and result before taxes was EUR -1.3 million (EUR -2.1 million). The net result in the second quarter was EUR -1.2 million (EUR -1.8 million), earnings per share was EUR -0.00 (EUR -0.01) and the cash flow from the operating activities per share was EUR -0.01 (EUR -0.00).

The result in the second quarter contains a total of EUR 0.5 million (EUR 0.0 million) in costs related to acquisitions. Without these costs, EBITDA and the operating results would have improved from the reference period.

In the review period, the earnings before interest, taxes, depreciation and amortisation (EBITDA) was EUR -3.2 million (EUR -1.8 million), operating result EUR -3.9 million (EUR -2.0 million) and result before taxes EUR -4.1 million (EUR -3.3 million). The result of the review period was affected by the unrealized EBITDA caused by the postponement of some project deliveries, costs related to undertaken efficiency measures and costs related to the company's international growth strategy. The net result in the review period was EUR -3.9 million (EUR -3.1 million), result per share was EUR -0.01 (EUR -0.01) and cash flow from business operations/share was EUR -0.01 (EUR -0.01). The net result was affected by the net financing income of EUR 0.6 million (EUR 0.0 million).

RETURN ON CAPITAL

The Group's equity was EUR 9.8 (-4.7) million. Return on equity (ROE) was -311.5 (neg) per cent. Return on investment (ROI) was EUR -32.9 (-26.1) per cent.

INVESTMENTS

Investments for the review period were EUR 7.1 million (EUR 2.0 million). Investments were mainly related to acquisitions. The R&D costs capitalised in the balance sheet in the review period totalled EUR 0.1 million (0.0).

BALANCE SHEET AND FINANCING

The balance sheet total grew due to acquisitions made in 2017 and 2018, and it was EUR 32.2 million (EUR 18.6 million). Equity was EUR 9.8 million (EUR -4.7 million). The equity ratio for the entire shareholder's equity was 30.4% (-26.1%). The liquid assets of the Group at the end of the review period amounted to EUR 0.8 million (EUR 1.0 million).

The positive change in the company's equity in the review period was effected by the share issues related to acquisitions and the financing arrangements conducted with the principal owner amounting to a total of EUR 4.3 million.

At the end of the review period, the Group's balance sheet included EUR 5.4 million (EUR 2.8 million) in loans from financial institutions, including the credit limits in use. Some of the loan agreements with financial institutions have covenants concerning the company's equity ratio that have been reviewed on 30 June 2018. The company also has loans from its principal owner. Interest-bearing debt as of 30 June 2018 was EUR 14.5 million (EUR 16.8 million), of which loans from related party companies constitute EUR 8.6 million (EUR 13.9 million). Loan agreements signed with related party companies during the review period are listed under the section "Related party transactions".

As a result of the financing arrangements conducted during the review period, the company's financial position has strengthened.

CASH FLOW

The consolidated cash flow from operating activities during the review period was EUR -3.4 million (EUR -4.2 million), a change of 18.6%.

To shorten the rotation of sales receivables, the Group is selling some of its sales receivables from Finland. Sold sales receivables in the second quarter amounted to EUR 2.0 million (EUR 1.4 million).

GOODWILL

The Group's balance sheet included EUR 17.9 million (EUR 11.9 million) in goodwill as of 30 June 2018.

The following parameters have been used in goodwill testing:

- Length of review period: four years

- WACC discount rate: nine per cent
- one per cent growth estimate used for terminal value calculation.

No need for goodwill impairment was discovered during the goodwill impairment testing on 30 June 2018. The present value of future cash flows exceeded the carrying value of assets by EUR 28.8 million.

The present value of the cash flow calculation, EUR 51.7 million, is lower than the sum of the financial liabilities of the company EUR 14.5 million and market price of the shares EUR 38.8 million as of 30 June 2018.

PERSONNEL

The average number of personnel in the second quarter was 245 (178) and at the end of the period, there were 280 (189) employees. At the end of the review period, 137 (156) persons were employed by the Finnish companies and 143 (33) persons by the foreign companies of the Group. During the review period, the number of personnel increased by 40 people.

SHARE AND SHARE CAPITAL

Share turnover and price

During the review period, the highest price for the company share was EUR 0.10 (EUR 0.16), the lowest price was EUR 0.06 (EUR 0.10) and the closing price on 29 June 2018 was EUR 0.07 (EUR 0.11). The average price for the review period was EUR 0.07 (EUR 0.13). 7,415,831 shares were traded during the review period (25,872,350 shares), which corresponds to 1.34% (6.98%) of the number of the shares listed at the end of the review period. The market value for shares using the closing price on 29 June 2018 was EUR 38,767,704 (EUR 41,872,104).

The company has issued a total of 82,483,863 shares during the review period which have not yet been listed at the end of the review period.

Share capital

The registered share capital of the company at the beginning of the review period was EUR 585,394.16 and the number of shares was 553,824,346 pieces. At the end of the review period, the share capital was EUR 585,394.16 and the number of shares was 636,308,209 of which 553,824,346 shares were listed.

Option plans 2011, 2014 and 2016

Digitalist Group Plc has three option plans: 2011, 2014 and 2016, which in total give the right to subscribe to 42,018,526 new company shares. Descriptions of the option plans are available at the company website at <https://digitalist.global>.

Shareholders

The number of shareholders on 29 June 2018 was 3,963 (3,873). Private persons owned 9.98% (13.7%), institutions 90.00% (85.8%) and foreigners 0.02% (0.5%). Nominee registered ownership was 5.61% (1.3%) of all shares.

The ownership of Tremoko Oy Ab, a related party company, was 73.54%. Options allow an increase in ownership up to 73.60%.

Related-party transactions

30 January 2018; Digitalist Group Plc has agreed with Nordea Bank AB (publ), Finnish Branch, on the increase of the current credit limit from EU 0.2 million to EUR 1 million. The credit limit is secured by a directly enforceable guarantee granted by Turret Oy Ab and Holdix Oy Ab to Nordea Bank AB (publ), Finnish Branch, amongst other things, as collateral for the liabilities of Digitalist Group and its subsidiaries (published 22 December 2017). Turret Oy Ab and Holdix Oy Ab are the owners of Tremoko Oy Ab, the principal owner of the Digitalist Group.

21 February 2018; Digitalist Group Plc has agreed with its principal owner Tremoko Oy Ab on the increase of the current credit limit published on 18 August 2016 from EUR 2.5 million to EUR 3.0 million. This additional financing will be due no later than 31 December 2019.

25 April 2018; Digitalist Group Plc has accepted a binding offer from its principal owner Tremoko Oy Ab for a maximum of EUR 1.0 million debt financing arrangement. This arrangement enables further funding of EUR 1.0 million for the Digitalist Group compared to the previous situation. The additional financing complying with the financing arrangement will be due no later than 31 December 2019.

As part of the financing arrangement, Digitalist Group has also agreed with its principal owner Tremoko Oy Ab on the postponement of the due date 31 January 2019 for the previously provided EUR 4.6 million credit line facility. The new due date will be no later than 31 December 2019.

In conjunction with the financial arrangement, Digitalist Group Plc has agreed on a drawdown of debt securities for an amount of EUR 2.0 million from Nordea Bank AB (publ), Finnish Branch,

converting the previous revolving credit facility of the same amount. These will be due in equal instalments every three months starting on 30 April 2020, the last payment date being on 30 April 2023.

25 May 2018; Digitalist Group Plc has agreed with Nordea Bank AB (publ), Finnish Branch, on the increase of the current credit limit by EUR 2.0 million to a total of EUR 3.0 million.

The credit limit is secured by a directly enforceable guarantee granted by Turret Oy Ab and Holdix Oy Ab to Nordea Bank AB (publ), Finnish Branch, amongst other things, as collateral for the liabilities of Digitalist Group and its subsidiaries. Turret Oy Ab and Holdix Oy Ab are the owners of Tremoko Oy Ab, the principal owner of the Digitalist Group.

31 May 2018; The company launched a directed share issue to Tremoko Oy Ab as part of the acquisition of the Grow Group.

On the authorisation of the Extraordinary General Meeting on 17 April 2018, the Board of Directors of the Digitalist Group decided to issue a total amount of 22,222,222 new shares of the Group to be subscribed for by Tremoko Oy Ab in a directed share issue ("Rights Issue") by way of derogation from the shareholders subscription privilege. The subscription price per offer share in the Rights Issue was EUR 0.09.

In the directed share issue, the shares were issued to develop the business of the Group and to carry out the acquisition, so there is a weighty financial reason for the directed share issue and the derogation from the shareholders' subscription privilege as required under the Limited Liability Companies Act.

Tremoko Oy Ab has paid for the shares subscribed for by setting off receivables it has from the company, amounting to EUR 1.6 million, and pays the rest of the subscription price EUR 399,999.98 by cash.

Convertible bond to Tremoko Oy Ab

The Company's Board of Directors resolved under the authorisation granted by the Company's Annual General Meeting of 17 April 2018 to, in deviation from the pre-emptive right of the company's shareholders, direct a convertible bond and the attached special rights as referred to in Chapter 10 Section 1(2) of the Limited Liability Companies Act for subscription by Tremoko Oy Ab in accordance with the terms of the agreement concerning the Loan. The principal of the Loan is EUR 8,671,932.36. Tremoko Oy Ab or the current holder of the Special Rights is entitled to subscribe for a maximum of 150,000,000 new Company shares under the terms set out in more detail in the Terms. Tremoko Oy Ab has subscribed for the Loan and the attached Special Rights in full in accordance with the Terms, and the Company's Board of Directors has accepted Tremoko Oy Ab's subscription.

The number of shares issued on the basis of the right of conversion is determined by dividing the amount of principal of the Bond by the rate of conversion. The Rate of Conversion of the share (which means the subscription price per share as referred to in the Limited Liability Companies Act) corresponds to the trade volume weighted average price of the Company's share in the Nasdaq Helsinki Stock Exchange during the period of six (6) months preceding the making of the Request to Convert as defined in section 13 of the Terms of the Loan minus 10 per cent, yet so that each Bond can be converted into a maximum of ten million (10,000,000) new company shares. The Rate of Conversion of a Share will be revised in accordance with the Terms of the Loan.

The other main terms of the Terms of the Loan and the Special Rights are as follows:

- interest 6.0% p.a.
- interest starts to accrue as of 1 January 2019
- interest paid biannually 30 June and 31 December
- maturity date of the Loan (if conversion right has not been exercised) 31 December 2021. In addition to the maturity date, the debtor also has once the right to repay the Loan and its interests to the creditor at any time between 1 July 2018 and 30 June 2021
- the conversion period is at any time between 1 July 2019 and 31 December 2021 (unless otherwise agreed between the creditor and the debtor for a pressing financial or other weighty reason), yet so that the debtor has the right to notify that it intends to repay the loan, in which case no conversion right exists for 3 months starting from such a notification, regardless of whether or not the creditor has submitted a notice of the conversion. The debtor may submit the request to convert referred to herein only once.

Tremoko Oy Ab has paid the subscribed Loan and the attached Special Right by setting off its receivables from the Company in the total amount of EUR 8,671,932.36.

OTHER EVENTS DURING THE SECOND QUARTER

Extraordinary General Meeting of 28 June 2018

On 28 June 2018, the company held an extraordinary general meeting. The minutes of the meeting and its decisions are available on the company website at <https://investor.digitalistgroup.com/investor/governance/annual-general-meeting>.

The Company CEO Ville Tolvanen resigned, on his own request, from the Board of Directors of the Digitalist Group as of 28 June 2018.

The Extraordinary General Meeting elected Andreas Rosenlew, Esa Matikainen, Paul Ehrnrooth, Bo-Erik Ekström, Peter Eriksson, Anders Liljeblad, Pekka Pylkäs and Jaana Rosendahl as full members. In the meeting of the Board of Directors following the General Meeting, the Board elected Andreas Rosenlew as Chairman and Esa Matikainen as Vice-Chairman.

Annual General Meeting of 17 April 2018

On 17 April 2018, the company held its Annual General Meeting. The minutes and decisions of the meeting are available on the company website at <https://investor.digitalistgroup.com/investor/governance/annual-general-meeting>.

The Annual General Meeting elected Paul Ehrnrooth, Bo-Erik Ekström, Pekka Pylkäs, Peter Eriksson, Jaana Rosendahl, Esa Matikainen and Ville Tolvanen as full members. In its meeting following the Annual General Meeting, the Board of Directors elected Paul Ehrnrooth as Chairman and Esa Matikainen as Vice-Chairman.

The Annual General Meeting also decided the members of the Audit Committee and the Remuneration Committee. Pekka Pylkäs was elected Chairman of the Audit Committee and Bo-Erik Ekström, Esa Matikainen and Peter Eriksson were elected as members. Bo-Erik Ekström and Esa Matikainen are independent of both the company and the major shareholders. Bo-Erik Ekström was elected Chairman of the Remuneration Committee and Jaana Rosendahl and Peter Eriksson were elected as members. Bo-Erik Ekström and Jaana Rosendahl are independent of both the company and the major shareholders.

The Stock Exchange releases of the review period are available on the company website at <https://digitalist.global/investors/releases>.

Grow acquisition

The shareholders of Digitalist Group Plc, Grow Holding AB and Grow Nine AB have, on 31 May 2018, concluded an arrangement whereby the Swedish Grow Holding AB Group becomes part of the Digitalist Group. With the Arrangement, Digitalist Group expands its operations in Sweden to strengthen its opportunity to create and provide comprehensive innovation, design and technology solutions. Grow is a Swedish company which has supported the growth of its client companies since 2004 by providing strategy, design and communication services both in Sweden and internationally. As a result of the sale, almost 50 experts will transfer to Digitalist Group. Together, Digitalist Group and Grow will form a creative and international design and technology company.

EVENTS FOLLOWING THE REVIEW PERIOD

On 5 July 2018, the Financial Supervisory Authority has approved the registration document of Digitalist Group Plc complying with the Securities Market Act and the Securities Note related to the private placements of 31 May 2018 and 20 June 2018. The registration document contains information on the Company and its business activities and financial position. The registration document is valid for 12 months following its approval.

RISK MANAGEMENT AND NEAR FUTURE UNCERTAINTY FACTORS

The goal of Digitalist Group Plc's risk management is to ensure the undisturbed continuation and development of the company's operations, and to support the achievement of the business goals set by the company and promote the increase of the company's value. More detailed information on the organisation and processes of risk management and the identified risks are available on the company's website at www.digitalist.global.

The company's results have recently been negative, despite the measures implemented in order to improve efficiency. Losses have an immediate effect on the company's working capital. Risks are managed by maintaining readiness for different financing solutions.

Changes in key accounts may have a negative effect on Digitalist Group's operations, profitability and financial position. If one of the largest clients should move their purchases from Digitalist Group to its competitors or dramatically change their business model, the opportunities for finding new client volume in the short term would be limited.

The turnover of the Group mainly consists of individual client contracts that are often fairly short in duration. Forecasting the starting times and scope of new projects is sometimes challenging, while the cost structure is largely fixed by nature. The above factors may cause unexpected variation in turnover and, thereby, profitability.

Fixed-price project deliveries form part of the business of the Group. Fixed-price project deliveries involve risks related to time and content. Contract and project leadership tools are used in order to mitigate this risk.

A proportion of the Group's turnover is invoiced in currencies other than euros. The risks related to currency exchange rates are managed by different means, including net positions and hedging agreements. The review periods in 2018 and 2017 do not include hedging agreements.

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

The Group has a substantial amount of goodwill in its balance sheet, which is subject to an impairment risk in case the Group's future cashflow earnings outlook declines due to internal or external factors. Goodwill is tested each quarter and also at other times if need arises.

Some of the Group's loans from financial institutions (EUR 0.1 million) involve covenants. A covenant breach may cause either an increase of the company's financing costs or a demand for the accelerated repayment of debts either in part or entirely. The largest risks related to covenant breaches are associated with EBITDA fluctuations due to the market situation or a possible need to increase the company's working capital through debt financing. Risks are managed by means of negotiations and by maintaining readiness for different financing solutions.

ON LONG-TERM GOALS AND STRATEGY

In the long run, Digitalist Group seeks a minimum of 10 per cent operating profit level. In order to achieve its long-term goals, Digitalist Group aims to grow globally and profitably by shaping new thinking, service and technology solutions in the digitalising sectors. These include the technology and energy industries, transport and logistics and consumer services in the private and public sector. In its strategy, Digitalist Group focuses on deepening its service and solutions business and the seamless combination of user and usage research, branding, design and technology.

NEXT REPORT

Interim report 1-9/2018 shall be published on Wednesday 24 October 2018.

DIGITALIST GROUP PLC

Board of Directors

Further information:

Digitalist Group Plc

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DIGITALIST GROUP**SUMMARY OF INTERIM REPORT AND NOTES 1 January-30 June 2018****CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, TEUR**

	1 April - 30 June 18	1 April - 30 June 17	Change %	1 January - 30 June 18	1 January - 30 June 17	Change %	1 January - 31 December 17
Turnover	6,188	4,667	32.6	11,472	8,903	28.9	20,000
Operating expenses	-7,708	-5,896	-30.7	-15,414	-10,929	-41.0	-24,899
OPERATING RESULT	-1,520	-1,229	-23.6	-3,941	-2,027	-94.5	-4,899
Financing income and expenses	249	-826	130.2	-115	-1,265	90.9	-2,274
Result before tax	-1,270	-2,055	-38.2	-4,056	-3,292	-23.2	-7,173
Income tax	55	237	-76.8	110	237	-53.7	231
RESULT FOR THE PERIOD	-1,215	-1,818	-33.1	-3,946	-3,055	-29.2	-6,942
Attributable to: Equity holders of the parent company	-1,215	-1,818	33.1	-3,946	-3,055	-29.2	-6,942
Non-controlling interests	0	0	0	0	0	0	0
Earnings per share:							
Undiluted, EUR	-0.00	-0.01		-0.01	-0.01		-0.02
Diluted, EUR	-0.00	-0.01		-0.01	-0.01		-0.02

STATEMENT OF COMPREHENSIVE INCOME, TEUR

	1 April - 30 June 18	1 April - 30 June 17	Change %	1 January - 30 June 18	1 January - 30 June 17	Change %	1 January - 31 December 17
Result for the period	-1,215	-1,818	33.1	-3,946	-3,055	-29.2	-6,942
Other comprehensive income							
Change in translation difference	-370	370	-200.1	-508	403	-226.2	477
TOTAL COMPREHENSIVE	-1,586	-1,448	-9.6	-4,455	-2,652	-68.0	-6,465

INCOME FOR THE PERIOD							
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION, TEUR

ASSETS	30 June 2018	30 June 2017	31 December 2017
NON-CURRENT ASSETS			
Goodwill	17,941	11,876	12,755
Other intangible assets	5,264	1,781	5,024
Property, plant and equipment	585	318	401
Available-for-sale investments	9	8	7
Accounts receivable	0	76	41
NON-CURRENT ASSETS TOTAL	23,799	14,058	18,227
CURRENTS ASSETS			
Trade and other receivables	7,598	3,622	5,434
Cash and cash equivalents	772	965	1,365
CURRENT ASSETS TOTAL	8,370	4,586	6,800
TOTAL ASSETS	32,169	18,645	25,027
EQUITY AND LIABILITIES	30 June 2018	30 June 2017	31 December 2017
SHAREHOLDERS' EQUITY			
Share capital	585	585	585
Share premium account	219	219	219
Invested unrestricted equity fund	71,880	49,200	64,457
Retained earnings	-58,971	-51,687	-52,846
Result for the financial period	-3,946	-3,055	-6,942
Total equity attributable to equity holders of the parent company	9,767	-4,738	5,473
TOTAL EQUITY	9,767	-4,738	5,473
LIABILITIES			
Non-current liabilities	12,640	14,278	7,474
Current liabilities	9,762	9,105	12,080
LIABILITIES TOTAL	22,402	23,383	19,554
TOTAL EQUITY AND LIABILITIES	32,169	18,645	25,027

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY, TEUR

A: Share capital

B: Share premium account

C: Share issue

D: Invested unrestricted equity fund

E: Translation difference

F: Retained earnings

G: Total equity attributable to equity holders of the parent company

H: Equity total

	A	B	C	D	E	F	G	H
Shareholders' equity on 1 January 2017	585	219	0	47,191	280	-52,475	-4,199	-4,199
Other changes								
Result for the financial period						-3,055	-3,055	-3,055
Other comprehensive income items								
Translation difference					403		403	403
Transactions with shareholders:								
Rights Issue			2,031				2,031	2,031
Expenses for equity procurement				-23			-23	-23
Share-based remuneration						104	104	104
Shareholders' equity 30 June 2017	585	219	0	47,169	684	-55,426	-4,738	-4,738

Shareholders' equity 1 January 2018	585	219	0	64,457	757	-60,545	5,473	5,473
Other changes								
Result for the financial period						-3,946	-3,946	-3,946
Other comprehensive income items								
Translation difference					-507		-507	-507
Transactions with shareholders:								
Convertible bond				2,000			2,000	2,000
Rights Issue			1,324	5,424			6,748	6,748

Shareholders' equity on 30 June 2018	585	219	1,324	71,880	250	-64,491	9,767	9,767
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CONSOLIDATED STATEMENT OF CASH FLOWS, TEUR

	1 January - 30 June 2018	1 January - 30 June 2017	1 January - 31 December 2017
Cash flows from operating activities			
Result for the period	-3,946	-3,055	-6,942
Adjustments to cash flow from operating activities			
Income taxes	-110	-237	-231
Other income and expenses with no payment relation		0	0
Depreciations, amortisations and impairment	734	271	914
Financial income and expenses	115	1,265	2,274
Other adjustments	2,696	-446	2,100
Cash flow from operating activities before change in working capital	-511	-2,201	-1,884
Change in working capital	-2,727	-1,317	-2,936
Interest received	1	4	5
Interest paid	-163	-661	-748
Taxes paid	-20	-25	-69
Net cash flow from operating activities	-3,420	-4,201	-5,632
Acquisition of subsidiaries, net of cash acquired	198	305	673
Investments in tangible and intangible assets	-154	-106	-224
Sales of property, plant and equipment	8	0	0
Net cash flow from investment activities	52	199	449
Net cash flow before financing	-3,367	-4,001	-5,184
Cash flow from financing activities			
Increase in long-term borrowings	2,500	4,440	6,265
Increase in short-term borrowings	2,238	2,003	2,001
Prepayment of short-term borrowings	-2,327	-2,127	-2,300
Payments received from share subscriptions	400	300	300
Equity acquisition cost	0	-23	-44
Financial lease payments	-38	-48	-94
Net cash flow from financing activities	2,773	4,545	6,128
Change in cash and cash equivalents	-594	543	944

Cash and cash equivalents at the beginning of the period	1,366	422	422
Cash and cash equivalents at the end of the period	772	965	1,366

Accounting principles

This interim report has been prepared in accordance with IAS 34 (Interim Financial Reporting standard). The interim report follows the same accounting principles and methods as the annual financial statements.

Preparing the interim report in accordance with the IFRS standards requires the use of such assessments and presumptions from the management that affect the amounts of assets and liabilities at the time of preparation as well as the earnings and expenses during the review period. Consideration is also required in the application of the accounting principles for financial statements. Since the assessments and presumptions are based on the outlook at the time of the interim report is concluded, they contain risks and uncertainty factors. Actual results may differ from the assessments and presumptions made.

The figures in the income statement and balance sheet are consolidated. The consolidated balance sheet combines all the companies of the Group. The original release is in Finnish. The English release is a translation of the original.

The figures in the release are rounded, which is why the sum of individual figures may deviate from the total sum presented. The interim report is unaudited.

Changes in the accounting principles

The International Accounting Standards Board has published three new standards concerning the Digitalist Group Plc, which are the IFRS 15, Revenue from Contracts with Customers; IFRS 9, Financial Instruments and IFRS 16, Leases. The IFRS 15 and IFRS 9 standards shall be applied from 1 January 2018 and the IFRS 16 standard from 1 January 2019.

Furthermore, annual improvements to the IFRS standards became effective on 1 January 2018 as well as an amendment of the IFRS 2 Share-based payments standard.

The IFRS 15 standard is not estimated to alter the principles for recording profits, the amount of profits or the timing thereof, or operating profit in reporting year 2018 or comparison year 2017, and hence no changes have been made in the revenue recognition of client contracts.

The IFRS 9 standard is not estimated to have a considerable impact on the financial statement transactions, values or notes in reporting year 2018 or comparison year 2017.

Application of new and revised IFRS standards**IFRS 16 Leases**

Digitalist Group Plc has started an assessment of the impacts of the IFRS 16 standard on the financial statements. The most notable observed effect is that Digitalist records new assets and debts in the balance sheet that are mainly premises contained in existing other lease agreements. In addition, the nature of the costs associated with the lease agreements in question is changing as IFRS 16 replaces rental cost with depreciation of the access right asset and with the interest expense arising from the lease agreement debt, reported as part of financial costs. Digitalist Group Plc will conduct a more accurate analysis of the impacts of the standard and transition method during the next six months.

Acquired business operations

On 21 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 shares in Digitalist Group in a special issue to be subscribed to by the owners of Grow Holding AB and the minority owners of Grow Nine AB. The subscription price for the shares in the shares issue was EUR 0.09 apiece. Thus, the total price of the acquisition was 6,747,856.02 EUR. 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, to other distribution of assets, and provide full shareholder rights in the Company from the moment the Compensation Shares are recorded 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.

PRELIMINARY PURCHASE PRICE ALLOCATION

Fair value of whole consideration	6,748
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Current values of acquired assets and debts taken on
at the acquisition date

Intangible assets	6,424
Tangible assets	136
Backlog	272
Receivables	1,505
Cash and bank deposits	198
Total assets	8,535
 Accounts payable and other debts	 1,547
Calculated tax debt	240
Total debts	1,787
 Total acquired net assets	 6,749

Impact of acquisition on cash flow

Total consideration paid	6,748
Share of consideration consisting on cash assets	0.00
Acquired cash assets	198
Impact of acquisition on cash flow	198

The turnover arising from the acquisition, roughly EUR 5.3 million, reflects the synergy benefits expected to be achieved in producing comprehensive innovation, design and technology solutions to the global clients. The turnover resulting from the acquisition is not deductible in taxation.

If the acquisition had been carried out in 2017, the impact of the Grow companies on turnover would have been roughly EUR 4.2 million and the impact on the result for the period EUR 0.2 million.

Going concern

This interim report has been prepared in line with the principle of going concern, considering the financing arrangements executed by the company in 2018 and the business forecast for 2018. The

forecasts take into consideration the probable or foreseeable changes in future expectations, both in revenue and costs.

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

Some of the company's bank loans include covenants that will be reviewed for the next time on 30 September 2018.

Goodwill impairment testing

Digitalist Group performed goodwill impairment testing on 30 June 2018. Goodwill is attributed to one cash-generating unit.

Based on the goodwill impairment testing conducted, the value in use of the assets tested exceeded the tested amount by EUR 28.8 million, and hence, there was no need for impairment. The balance sheet at the end of the review period included EUR 17.9 million in goodwill. The present value of the cash flow calculation, EUR 51.7 million, is lower than the sum of financial liabilities of the company EUR 14.5 million and the market price of the shares EUR 38.8 million as of 30 June 2018.

The company tests its goodwill based on the value of assets in use. In the testing performed on 30 June 2018, the cash flow forecast period consisted of the forecast between Q3 2018 and Q2 2022.

In the forecast period of Q3 2018 – Q2 2022, the company is expected to achieve an average growth of 23 per cent as digitalisation affects business life to a greater and greater extent. The operating profit percentage is expected to rise to an average of 8 per cent.

The assets tested in the method are compared to the cash flow that they generate in the chosen period, considering the discount rate and the growth factor of cash flows subsequent to the forecast period. A rate per annum of 9 per cent has been used as the discount rate, and 1 per cent per annum as the growth factor when calculating cash flows subsequent to the forecast period. In calculating the terminal value, the weighted average operating result percentage level for the period was used.

In goodwill testing, the most important sensitivity factors are the cash flow forecasts themselves and the assumptions that they contain and the growth rate in the terminal value and the discount rate used. If -23.8 per cent instead of 1 per cent had been used as the growth rate of the terminal value, the value in use had equalled the tested amount. If 20.0 per cent had been used instead of 9 per cent as the discount rate, the value in use had equalled the tested amount. If the operating profit percentage were an average of 1.1 per cent instead of 8 per cent, the value in use would equal the tested amount.

Loan covenants

On 30 June 2018, the company has EUR 5.4 million in loans from financial institutions. The amount of loans including covenants was EUR 0.1 (0.4) million as of 30 June 2018.

One of the loan agreements contains covenant limits concerning the equity ratio of the company, which is considered to include loans and credit limits in use from the principal owner. Covenants will next be reviewed on 30 September 2018. If the company fails to meet the covenant limit determined in the covenant agreement, the financier is entitled to terminate the loans that the covenant agreement applies to. The equity ratio calculated according to the covenant definition in the loan agreements shall be no less than 30 per cent.

On 30 June 2018, the equity ratio of the company under the covenant definition was 57.4 per cent.

The due dates for loans subject to covenants:

Period	Instalment EUR 1000
1 July – 31 December 2018	127

CONSOLIDATED INCOME STATEMENT BY QUARTER, TEUR

	Q2/2018 1 April - 30 June 18	Q1/2018 1 January - 31 March 18	Q4/2017 1 October - 31 December 17	Q3/2017 1 July - 30 September 17	Q2/2017 1 April - 30 June 17	Q1/2017 1 January - 31 March 17
Turnover	6,188	5,285	6,588	4,510	4,667	4,236
Operating expenses	-7,708	-7,706	-8,098	-5,872	-5,896	-5,034
OPERATING RESULT	-1,520	-2,422	-1,510	-1,362	-1,229	-798
Financing income and expenses	249	-364	-385	-623	-826	-440
Result before tax	-1,270	-2,786	-1,895	-1,986	-2,055	-1,237
Income tax	55	55	12	-18	237	0
RESULT FOR REFERENCE PERIOD	-1,215	-2,731	-1,883	-2,004	-1,818	-1,237

CHANGES IN FIXED ASSETS TEUR 1000

	Goodwill	Intangible assets	Tangible fixed assets	Available-for-sale investments	Total
Carrying amount 1 January 2017	11,543	323	340	8	12,214
Additions	333	1 675	37	0	2,045
Changes in exchange rates	0	0	-4	0	-4
Depreciations and amortisations for the review period	0	-217	-55	0	-272
Carrying amount 30 June 2017	11,876	1,781	318	8	13,983
Carrying amount 1 January 2018	12,755	5,024	401	7	18,186
Additions	5,295	1,091	274	6	6,666
Deductions	0	0	0	-4	-4
Changes in exchange rates	-108	-206	-1	0	-315
Depreciations and amortisations for the review period	0	-645	-89	0	-734
Carrying amount 30 June 2018	17,941	5,264	585	9	23,799

KEY FIGURES

ASSETS	1 January - 30 June 2018	1 January - 30 June 2017	1 January - 31 December 2017
Earnings per share, EUR diluted	-0.01	-0.01	-0.02
Earnings per share, EUR	-0.01	-0.01	-0.02
Equity per share, EUR	0.02	-0.01	0.01
Cash flow from operations per share, EUR, diluted	-0.01	-0.01	-0.01
Cash flow from operations per share, EUR	-0.01	-0.01	-0.01
Return on investment, %	-32.9	-40.7	-36.5

Return on equity, %	neg	neg	neg
Operating result/turnover, %	-34.4	-22.8	-24.5
Net gearing from total equity, %	140.3	-334.6	184.8
Equity ratio, %	30.4	-25.4	21.9
EBITDA, TEUR	-3,207	-1,755	-3,985

OTHER INFORMATION

	1 January - 30 June 2018	1 January - 30 June 2017	1 January - 31 December 2017
EMPLOYEES, average	245	178	203
Employees at the end of the period	280	189	240
COMMITMENTS, TEUR			
Guarantees given for own commitments			
Corporate mortgages	23,500	23,500	23,500
Leasing and other rental commitments			
Due within 1 year	1,546	962	1,290
Due within 1-5 years	2,688	1,334	1,129
Due after 5 years	0	0	0
Total	4,234	2,296	2,419
Nominal value of interest rate swap agreement			
Due within 1 year	127	253	253
Due within 1-5 years	2,000	127	0
Due after 5 years	0	0	0
Total	2,127	380	253
Fair value	-20	-4	-2
Total of interest-bearing liabilities			
Long-term loans from financial institutions	2,861	318	730
Other long-term liabilities	8,664	13,639	5,693
Short-term interest-bearing liabilities	2,949	2,864	5,060
Total	14,475	16,821	11,483

CALCULATION PRINCIPLES FOR KEY FIGURES

EBITDA = Earnings before interest, taxes, depreciation and amortisation

Diluted earnings per share = Profit for the period, attributable to equity holders of the parent/ Number of shares, adjusted for issues and for option dilution, average

Earnings per share = Earnings for financial period / Average share issue-adjusted number of shares outstanding during the period

Equity per share = Equity attributable to equity holders of the parent/ Number of shares on the closing date

Cash flow from operations per share, EUR, diluted = Net cash flow from operations / Average share issue-adjusted number of shares outstanding during the period, adjusted for dilution

Return on investment (ROI) = (earnings before tax + interest expenses + other financing expenses) / (Total assets - interest-free debt (average)) x 100

Return on equity (ROE) = net earnings / Total equity (average) x 100 Gearing = interest-bearing debt - liquid assets / total equity x 100

Gearing = interest-bearing debt - liquid assets / total equity x 100