

ANNUAL REPORT 2018

PRIVANET
Money creates happiness.



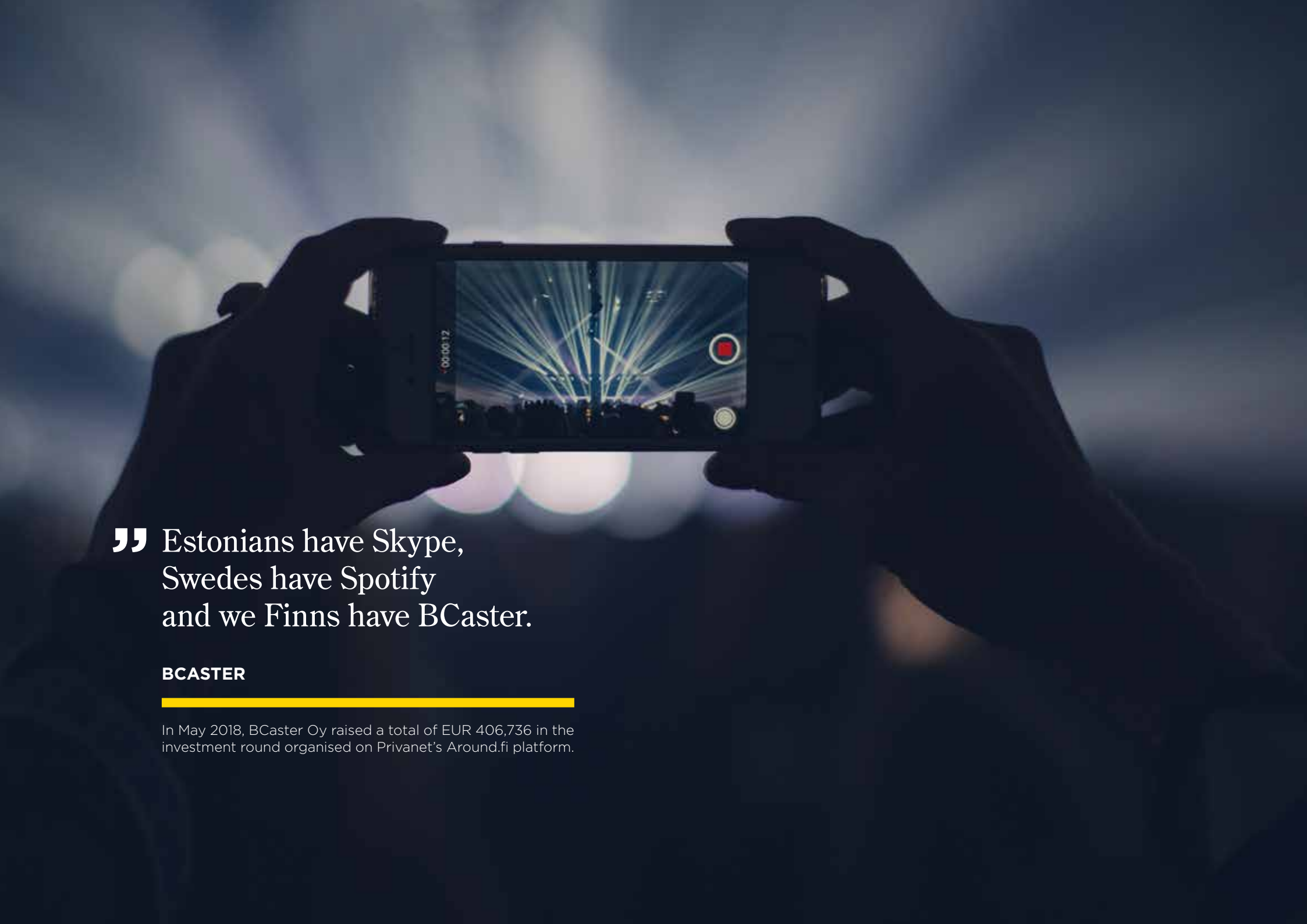
” Online staffing services based on digital platforms are growing 40–60% per year.

BOLT

In August 2018, Bolt Group Oy raised a total of EUR 2,589,193 in the investment round organised on Privanet's Around.fi platform.

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” Estonians have Skype,
Swedes have Spotify
and we Finns have BCaster.

BCASTER

In May 2018, BCaster Oy raised a total of EUR 406,736 in the investment round organised on Privanet's Around.fi platform.

01 PRIVANET GROUP BRIEFLY

Privanet Group is a Finnish investment service group that is specialized in trading securities of unlisted companies and financing arrangements of companies. It serves both private citizens and companies, the market of unlisted securities as its main business area. The group is actively developing knowledge and liquidity of the asset class and invests heavily in the development of both primary and secondary markets for the benefit of the whole investment industry. The group has a wide selection of services that aims at bringing together companies in need of funding and investors.

Privanet Group consists of the parent company Privanet Group Plc and its fully owned subsidiary companies Privanet Capital Markets Ltd and Privanet Securities Ltd. Privanet Capital Markets Ltd concentrates on arranging emissions, trading finan-

cial instruments on its own account, as well as intermediating unlisted securities. Privanet Securities Ltd concentrates on maintaining a secondary marketplace for unlisted securities, financing arrangements especially through crowdfunding, as well as Certified Adviser's role on the First North trading venue.

Privanet Group serves clients all over Finland and it has offices in 13 cities. Privanet offices are located in Helsinki, Tampere, Turku, Oulu, Jyväskylä, Kuopio, Joensuu, Vaasa, Hämeenlinna, Lahti, Mikkeli, Äänekoski and Ylivieska. In addition, the Norwegian branch office of Privanet Securities Ltd that belongs to the Privanet Group operates in Oslo and Bergen. Operations of the group are supervised by the Financial Supervisory Authority.

02

CEO'S REVIEW



DEAR SHAREHOLDER OF PRIVANET,

A year ago, I began my CEO's Review by telling that it is at the core of our strategy to create added value for our shareholders. When I look in the rearview mirror towards the past year, I can rather straightforwardly state that the strategy in question has not materialized at all. Our share price has decreased about 76 percent during 2018, and our financial performance has weakened as well. Our turnover has fallen 40.65 percent, to about 8.29 million euros, and our operating profit has become heavily negative (-3.37 million euros). Simultaneously, the cost structure of the company has continued to grow and has increased close to 20 percent in comparison with the previous year.

The situation of the Company has been responded to by planning a new strategy for the Company and by preparing significant cost-cutting measures. The tight and onerous planning to create a new strategy and a savings program, that was started during the end of the year, was published to the personnel, owners and other public on 7 January 2019. Based on the measures, the expenses of the group are aimed to be halved, and the business operations are changed towards operations that create continuous cash flow.

To be able to even plan a new business model and implement such drastic savings on the cost structure and personnel of the company, the defects that have caused the weakening of the financial performance must be precisely clear.

Undoubtedly the largest factor that explains the decreasing of turnover have been the accusations targeted at the Company that relate to the bankruptcies of companies that belong to the Lapis group, and the reputational risk that has occurred because of them. The public discussion regarding the Lapis matter has set sales-related challenges for the Company, as there have been an unusual number of articles about Privanet and its connection to Lapis during the year in the press. Naturally the situation became acute when the Company announced on 29 October 2018 that investors' actions for damages have been served on Privanet Capital Markets Ltd. The claims for damages have been targeted jointly and severally at the previous management of Capital Markets as well.

At the beginning of 2018 the sales force of the company was still very strong. At the time, the largest problem was that the sales were focused on investments that had low margins for the earning of the Company. During the rest of the year, a lot of time has been spent to resolve the matter in Privanet Capital Markets that is responsible for the sales of the group, and the company has been completely reorganized and the business model has been sharpened. In the process, the management and control of sales have been reorganized, as Roy Harju and Matti Heiskala, who were part of the previous management of the company, quit the operations of the group, and Kimmo Lönnmark (Master of

Laws) started as the acting CEO of Privanet Capital Markets Ltd at the beginning of 2019.

The expenses have been increasing in Privanet already for years. This has been well-grounded in many ways, as the number of clients has increased remarkably, and our industry has been a target of constantly growing interest. The funding for growth companies outside the banks has been growing already for several years. In addition, the core objectives of the company have been internationalization and the development of significant finance technology to intensify growth funding and secondary market for unlisted companies. These matters have required a substantial amount of recruitments and investments. In addition, lots of external consulting has been acquired in legal, IT, and marketing services, for example.

As I made a forecast in the half-yearly report, the general market turbulence increased significantly at the end of 2018, and the volatility ascended remarkably. Investors became more reversed, which could also be seen in the demand for securities of unlisted companies at the last quarter of the year. Other factors that weakened our result were write-downs in own investment activities, mainly relating to Lapis, as well as increased depreciations of the group.

There were also positive matters that took place in Privanet in 2018. At the end of the year we got to launch the Norwegian branch office, and the opening ceremony was organized on 24 October 2018 in Oslo. The first crowdfunding round on the AROUND.no platform was successful as well, as the Norwegian Wiral Technologies AS raised close to 5,7 million Norwegian crowns in the service. In connection with the opening, a collaboration arrangement with the Oslo stock exchange was also launched relating to the secondary market for unlisted shares in Norway.

In Slush, a development project of Privanet, Nordea, OP Group, Tieto and Asiakastieto was published, in which the trading and shareholder management of unlisted shares is digitalized through block chain technology. We are aboard in creating a digital platform in which parties can be identified internationally in a reliable manner. Block chain technology has been one of the most-discussed matters in finance technology, and this joint project has aroused significant interest outside Finland as well.

The structure of the group was further clarified at the end of the year, when Privanet Group Plc bought all the shares of Privanet Securities Ltd from Privanet Capital Markets Ltd. Both subsidiaries are now located directly under the parent company of the group.

Privanet is going through a radical transition as a company. I have a strong view that the business operations that the Company has chosen, i.e. the funding of growth companies and their secondary markets, will be growing heavily during the following years. I have all the reasons to believe that with the new cost structure and business strategy Privanet has all opportunities to get back to a very profitable business path. The decision on savings has been difficult but inevitable. At the same time, we must take care of Privanet's employees and tied agents. The beginning of the year has been hard for our entire personnel. I believe that those, who stayed to build a new Privanet, are ready to sacrifice a lot for Privanet, and I am confident that Privanet will also take care of these people for decades. Privanet's reputation has been damaged because of business operations that have been carried out in the past. In this situation, it is very important to create an image of what we do today in Privanet for our clients, future clients, and companies that seek funding. Our job is to search the most interesting growth company stories in Finland, enable the realization of the dreams of the companies together with our clients, as well as to enable excellent profit opportunities for our investors' capital.

Karri Salmi
Chief Executive Officer



03 BOARD OF DIRECTORS'
REPORT FOR THE YEAR 2018

BUSINESS OPERATIONS OF PRIVANET GROUP DURING THE FINANCIAL PERIOD

OPERATING ENVIRONMENT

In connection with the half-yearly report the Company stated that risks for the weakening of stock markets and financial sentiment at the end of the year 2018 are significant. The depressing factors in the background were the escalating trade war between USA and China, as well as the tightening monetary policy of the central banks. Also, the forecasts for economic growth and forecasting indicators had started to weaken. The view of the Company was rather correct, and a very turbulent end of the year was seen in stock markets, and the VIX index, also known as the fear index, increased intermittently to critical levels during the end of the year.

Trade war and central bank policy are likely to remain as the theme of the economy also at the beginning of 2019. Beside these, realization of Brexit is ascending to be a significant determiner of the direction of the economy. The IMF has had to lower its global forecast for economic growth again in January. The biggest decrease in the forecast is targeted right at the euro area, and difficulties related to Britain's departure from the EU are likely behind the latest decrease in the forecast.

The forecasts for economic growth still don't predict an actual economic recession, but recession risk has increased however, and the so-called sur-

prise indexes of the economy have become negative in Europe, in the USA and in China.

It is clear that the fussing of the market affects the behavior of investors also in new financing sectors, although the historical correlation is rather low between regulated stock markets and unlisted securities, for example. This naturally means that the offering of financing rounds and the sales of securities must be invested in more strongly and professionally than ever before.

The beginning of the year has shown that the so-called "deal flow" remains to be strong. Very interesting growth funding projects have come to Privanet's drawing board, and great growth companies will be seen in AROUND in 2019 as well. There are also several new projects on the table in the Realinvest service, and their size is larger than before. This proves that alternatives for bank funding are still growing strongly.

Privanet also believes that the reorganization of the company and putting the strategy into practice will allow the company and its employees to get on with their work, ensuring the SME companies the funding that they need. Thus, Privanet gives its own contribution for the prosperity of the society, and at the same time ensures its own position by being a significant financier for SME companies also in the future.

BUSINESS OPERATIONS OF PRIVANET GROUP DURING THE FINANCIAL PERIOD

Result of the group for the year 2018 did not meet the expectations. The operating result was depressed among others by the weakening of the sales proceeds, heavy cost structure, as well as non-recurring write-downs.

The turnover of the group, i.e. income from the investment services, was 8.29 million euros (13.97 million euros in the corresponding period in 2017). The majority of the business expenses are administrative expenses that primarily consist of personnel expenses. The personnel expenses were 4.69 million euros (4.25 million euros). Other administrative expenses were 3.20 million euros (2.36 million euros) including, among others, expenses relating to legal and consulting services and marketing, as well as costs of software and maintenance in the IT administration. The administrative expenses have increased as a result of expanding the administrative organization and sales personnel, as well as the growth of legal and consulting costs related to certain projects. Also, depreciations from the consolidated goodwill have increased as a result of the change in the group structure that was carried out in December 2017, in which Privanet Group acquired the entire capital stock of the subsidiary Privanet Securities Ltd to the ownership of the group. Write-offs and impairment losses of the financial assets were 1.31 million euros altogether. The operating profit therefore decreased to -3.37 million euros.

In 2018, a substantial amount of funding was again raised for Finnish growth companies. On the AROUND platform, a total of 14 million euros of funding was raised. During the two and a half

years of operating, approximately 52 million euros of funding have already been raised on the platform. Also, the Realinvest service has continued its strong growth. In 2018, already more than five million euros of funding was raised on the platform. The service has been developed along the year, and the most prominent development project has been the allocator that is ready to be used in the service at the beginning of 2019. Other than crowdfunding emissions were carried out a total of 53 million euros, and the trading volume in Privanet's secondary marketplace was short of 11 million euros.

The operations of the branch office that Privanet Securities Ltd has established in Norway have begun during the financial period. The branch office provides investment services on the AROUND crowdfunding platform, whose Norwegian version is used to arrange financing rounds for Norwegian growth companies. A joint venture, Privanet Norge AS, has been established together with the local responsible persons to share the expenses and profits of the branch. In Finland, new offices were opened in Hämeenlinna and Äänekoski.

INVESTMENTS AND FINANCING

Privanet Group Plc clarified its group structure and bought the shares of Privanet Securities Ltd from its subsidiary Privanet Capital Markets Ltd. As a result, there are two subsidiaries directly under Privanet Group Plc. Privanet Group Plc also became a shareholder in a marketing communications company Hansdotter Oy, its ownership being one third. In addition, the company continually looks for new corporate acquisition targets that are conformable to its strategy.

The most significant investments of the Company during the financial period 2018 have been target-

ed at the development of Crowhow and Realinvest services. Crowhow is an online service that collects together investors that are interested in unlisted companies and growth companies that look for crowdfunding. The purpose of the service is to display open campaigns in all European crowdfunding platforms, and thus gather a large number of visitor investors. The development of the Realinvest service, that is focused on the loan-based crowdfunding for real estate and infrastructure projects, has during the year focused on, among others, the administration of loan agreements and the development of the allocator and the secondary market for the loan agreements.

At the end of 2018, the Company established an investment company, Before Holding Oy, that raised a million euros of funding in the share issue that was arranged on the AROUND platform. The subscription period for the issue was in November and December. The purpose of the Company is to offer a distributed portfolio of shares of domestic unlisted companies for investor. To implement this, Before Holding Oy purchased shares that were in the Company's balance sheet with the funds of the share issue. As the purchases were completed and the registration of investors' subscriptions initiated in 2019, Before Holding Oy can be seen as the subsidiary of the Company in the financial statement.

The amount of liquid assets of the Group was 0.46 million euros on 31 December 2018, whereas at the end of the year 2017 the liquid assets were 5.63 million euros.

The cash flow from business operations between 1 January 2018 and 31 December 2018 was -3.44 million euros (31 December 2017: 2.37 million euros) including the adjusted operating profit of -3.00 million euros (4.89 million euros) and the

paid taxes of -0.69 million euros (-0.50 million euros). The change in working capital was 0.25 million euros (-2.02 million euros) including changes in the balance sheet values of debt securities, shares and holdings adjusted with valuing into fair value.

The cash flow from investments between 1 January 2018 and 31 December 2018 was 0.02 million euros (0.16 million euros) consisting of investments into intangible and tangible assets of 0.05 million euros (0.17 million euros) and other investments of -0.02 million euros (-0.01 million euros).

The cash flow from financing between 1 January 2018 and 31 December 2018 was -1.75 million euros (-1.00 million euros). In long-term loans raised we can see the amount of subscription of the Company's own bond, of which on 31 December 2018 3.71 million euros had been subscribed, as well as debts to a credit institution of 0.49 million euros, and debts to general government of 0.30 million euros. Instalments of long-term loans were -2.99 million euros, and the dividend distributed in April 2018 from the profit for the previous financial period and retained earnings was -3.23 million euros (-3.14 million euros).

The change in cash and cash equivalents during the reporting period was -5.17 million euros (1.53 million euros).

BALANCE SHEET, SOLVENCY AND EQUITY

Assets in the balance sheet amounted to 17.20 million euros (24.42 million euros) on 31 December 2018, consisting of receivables from credit institutions, which were 0.46 million euros (5.63 million euros), debt securities, which were 0.47 million euros (1.10 million euros) and shares and participa-

tions, which were 12.02 million euros (7.65 million euros). Holdings in associated companies were 0.03 million euros (0.01 million euros). Intangible assets included a consolidated goodwill of 2.00 million euros (2.33 million euros) and other long-term costs of 0.11 million euros (0.12 million euros). Tangible assets were 0.77 million euros (0.85 million euros), including 0.75 million euros worth of property shares (0.82 million euros). On 31 December 2018, other assets were 1.16 million euros (6.42 million euros), consisting mainly of sales receivables and prepayments of 0.16 million euros (0.30 million euros).

Equity on 31 December 2018 was 10.85 million euros, which is 6.69 million euros less than on the same time of the year before (17.53 million euros). The reserve for invested unrestricted equity was 11.89 million euros (11.89 million euros). The retained earnings of the group decreased to -1.13 million euros (4.92 million euros). The fair value reserve was 0.00 million euros (0.64 million), since along with the IFRS 9 standard that came into effect on January 1 2018 the unrealized changes in current values that are included in "Net gains from securities and foreign currency transactions" are entered into books so that they affect the result, whereas before the standard profits and losses in valuation have been entered into the fair value reserve. The equity ratio was 58.94 per cent (71.79 percent) on 31 December 2018.

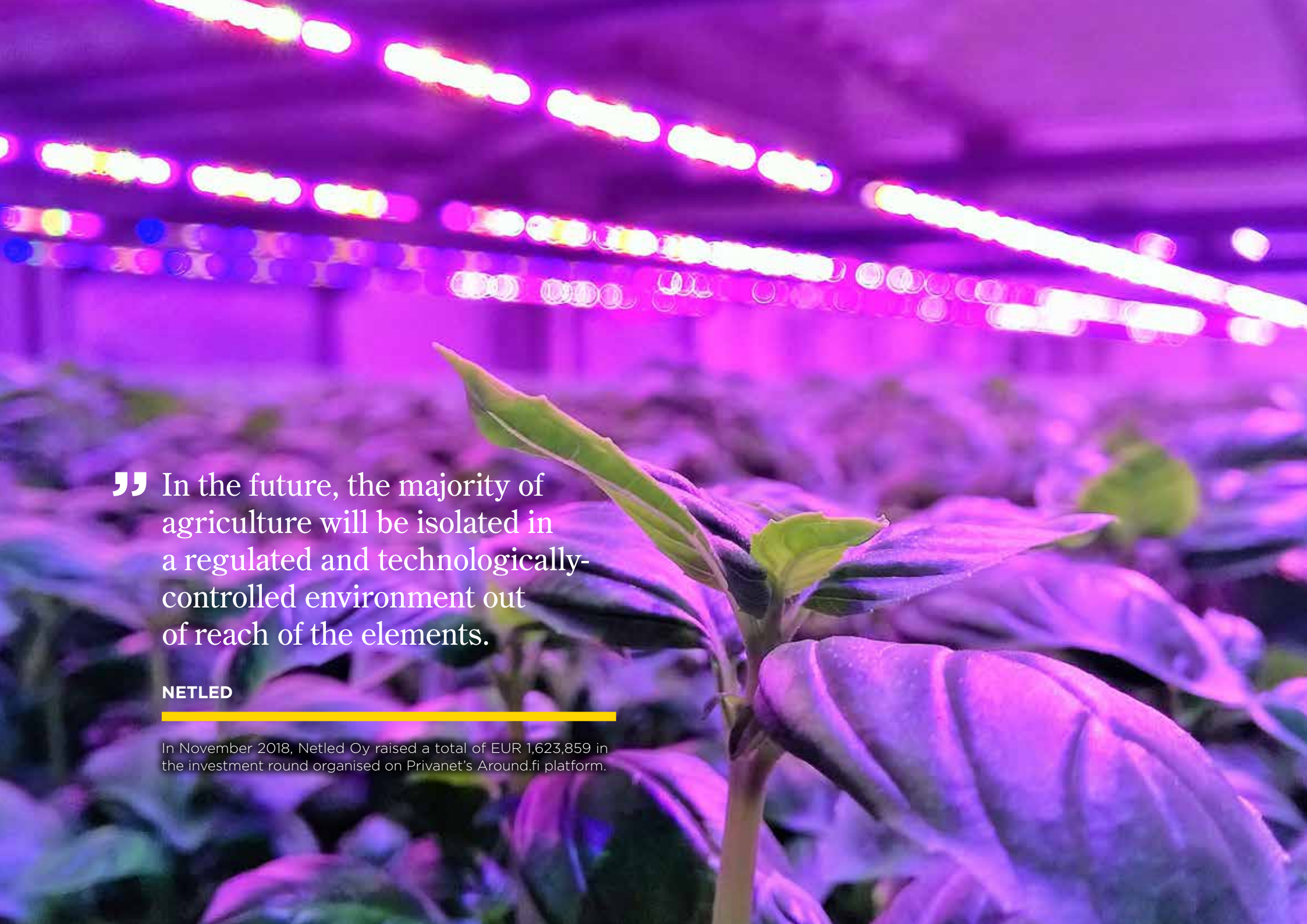
The liabilities were 6.35 million euros (6.89 million euros) on 31 December 2018. The liabilities consisted mainly of the bonds the Company had issued, worth 3.71 million euros (2.96 million euros) a debt to general government of 0.30 million euros (0.00 million euros), long-term loan of 0.49 million euros (0.03 million euros) from a credit institution, accrued expenses of 1.17 million euros (2.02 million euros), and other debts totaling 0.53 million euros (1.72 million

euros). Deferred tax liabilities were 0.16 million euros (0.16 million euros) on 31 December 2018.

Solvency information has been presented according to the EU regulation and directive on prudential requirements for credit institutions and investment firms (575/2013 CRR) that came into effect on 1 January 2014. Equity consists of Tier 1 capital (T1) and Tier 2 capital (T2). Tier 1 capital is divided into two parts: Common Equity Tier (CET1) and Additional Tier 1 capital (AT1). The Common Equity Tier consists of share capital, other reserves, retained earnings and profit/loss for the financial period. Planned distribution of profits, intangible assets and tax receivables have been deducted from the Common Equity Tier. The result of the financial period has been added to the Common Equity Tier as it has been subject to an audit. In the solvency calculations stipulated by capital requirements, the company applies the standard formula for the part of credit risk and market risk and the basic formula for operational risk. The Group's equity consists of Common Equity Tier which was 8.73 million euros (11.85 million euros). The risk-adjusted assets of the Group were 48.07 million euros (46.69 million euros), which makes the ratio of Common Equity Tier (CET1) to risk-adjusted assets 18.17 per cent (25.38 percent). The Group's solvency clearly exceeds the required 8 percent level and the 4.5 percent requirement for Common Equity Tier (CET1). The minimum equity ratio has been calculated in accordance with the valid calculation principles. The minimum equity ratio for 2018 was 285.02 percent (82.75 percent).

For more information on the Company's solvency management process, see section Solvency management of these financial statements.

Solvency information	31 Dec 2018	31 Dec 2017
Common Equity Tier before deductions	10 845 791	14 301 163
Deductions from Common Equity Tier	-2 112 865	-2 451 813
Common Equity Tier (CET1)	8 732 926	11 849 350
Additional Tier 1 capital (AT1)	0	0
Tier 1 capital (T1 = CET1 + AT1)	8 732 926	11 849 350
Tier 2 capital (T2)	0	0
Eligible capital total (TC = T1 + T2)	8 732 926	11 849 350
Risk-adjusted assets total	48 073 662	46 689 061
of which credit risk	2 695 124	9 817 249
of which market risk	24 040 362	15 305 993
of which operational risk	21 338 176	21 565 819
Common Equity Tier (CET1) ratio to risk-adjusted assets (%)	18.17 %	25.38 %
Tier 1 capital (T1) ratio to risk-adjusted assets (%)	18.17 %	25.38 %
Total capital (TC) ratio to risk-adjusted assets (%)	18.17 %	25.38 %
Minimum equity ratio	285.02 %	82.75 %



” In the future, the majority of agriculture will be isolated in a regulated and technologically-controlled environment out of reach of the elements.

NETLED

In November 2018, Netled Oy raised a total of EUR 1,623,859 in the investment round organised on Privanet's Around.fi platform.

PERSONNEL, MANAGEMENT AND ADMINISTRATION

On 31 December 2018, the Group had a total of 59 employees (31 Dec 2017: 52), of which 20 were employed by Privanet Group Plc, 30 by Privanet Capital Markets Ltd and 9 by Privanet Securities Ltd, of which 2 were working for the Norwegian branch office of Privanet Securities Ltd. In addition, 7 tied agents were working in a contractual relationship on behalf and under the responsibility of Privanet Capital Markets Ltd through their own companies.

In the beginning of the financial period, 1 Jan–22 March 2018, the Board of Directors of Privanet Group Plc consisted of seven ordinary members, who were Roy Harju, Karri Salmi, Sami Järvinen, Jorma Vanhanen, Sakari Tainio, Mikael Pettersson and Timo T. Laitinen. At the Annual General Meeting held on 22 March 2018, the Board of Directors was decided to consist of six ordinary members. Members of the previous Board of Directors, Roy Harju, Karri Salmi, Sami Järvinen, Jorma Vanhanen, Sakari Tainio and Timo T. Laitinen were elected as members of the Board of Directors for a period that continues until the end of the next Annual General Meeting. Roy Harju, who served as the Chairman of the Board, resigned from the Board of Directors of Privanet Group Plc on 11 December 2018. The Board of Directors continued to operate with five members and elected Timo T. Laitinen to be the new Chairman of the Board. Of the members of the Board of Directors, Jorma Vanhanen, Sakari Tainio and Timo T. Laitinen were not in an employment or an assignment relationship with any company belonging to the Privanet Group during the financial period.

Karri Salmi served as the CEO of Privanet Group Plc throughout the financial period.

KPMG Oy Ab operates as the auditor of the Company, authorized public accountant (KHT) Tapio Raappana as the key audit partner, and Valkia Advisors Oy as the Certified Adviser.

SHARE AND SHAREHOLDERS

Number of shares of the Company both at the end of the financial period and on average was 14 054 317, whereas on the financial period 2017 the average number of shares was 13 312 759. Each share of the Company has one vote and provides equal right to dividends and assets of the Company. The share capital of the Company on 31 December 2018 was 80 000 euros and the total equity 11 774 230 euros.

On 31 December 2018, Privanet Group Plc had 1969 shareholders. The largest shareholders of the Company were Mash Group Oyj, Finactu Oy (company controlled by Sami Järvinen) and Pennin Hevonen Oy (company controlled by Roy Harju). The management of the group, members of the Board of Directors, and other personnel owned a total of 25.63 percent of all shares of the Company.

DECISIONS OF THE ANNUAL GENERAL MEETING

During the financial period 2018 the Annual General Meeting was held on 22 March. No extraordinary meetings were held. The Annual General Meeting confirmed the financial statements and the consolidated financial statements, decided to discharge members of the Board of Directors, as well as the CEO, from liability, and decided to distribute 0.23 euros per share as dividends, i.e. a total of

3 232 492.91 euros, regarding the financial period that ended on 31 December 2017. The record date of the dividend was 26 March 2018, and the dividend was paid on 4 April 2018.

The meeting decided to pay remuneration to the members of the Board of Directors so that 1 500 euros per calendar month shall be paid as rewards, regardless of the number of meetings, to a member who does not work for Privanet Group Plc or a company belonging to the same group. In addition, reasonable costs and travelling expenses caused by the meetings will be recompensed. To a member, who works for Privanet Group Plc or a company belonging to the same group, rewards shall not be paid, but reasonable costs and travelling expenses caused by the meetings will be recompensed.

The Annual General Meeting decided to elect six members to the Board of Directors, and re-elected Karri Salmi, Roy Harju, Sami Järvinen, Sakari Tainio, Jorma Vanhanen, and Timo T. Laitinen to the Board of Directors for a term that continues until the end of the following Annual General Meeting. The meeting also decided to pay a reward to the auditor according to the invoice the company has approved. Audit firm KPMG Oy Ab was elected to be the auditor of the company until the end of the following Annual General Meeting. Authorized public accountant (KHT) Tapio Raappana will serve as the key audit partner.

In addition, the Annual General Meeting decided to authorize the Board of Directors to make a decision on granting at the most 700 000 shares as a share issue or by granting options or other specific rights that entitle to shares, as well as on the acquisition of the company's own shares in one or more consignments with the funds belonging to

the unrestricted equity of the company so that the number to be acquired is at the most 1 400 000 shares. The material concerning the Annual General Meeting is available in its entirety on the company website: <http://www.privanetgroup.fi/sijoittajat/yhtion-hallinto/yhtiokokouskutsut-ja-poytakirjat/> (only in Finnish).

INTERNAL SUPERVISION

Profitable business requires that Privanet constantly supervises its own activities. Arranging efficient and reliable internal supervision is a central part of professional management based on healthy and cautious business principles. The parent company of the Group, Privanet Group Plc, directs and supervises the operations of its subgroup (Privanet Capital Markets Ltd and Privanet Securities Ltd), and has the main responsibility for making sure that the internal supervision of Privanet Group is sufficient and in proportion to the risks related to business operations. The Board of Directors attends to it that the Group has defined principles for internal supervision and that it monitors the functionality of its supervision. Internal supervision is a fixed part of the Group's daily operations.

Procedures of daily supervision include:

- reporting defined by different instructions and ad hoc reports to the upper management
- physical inspections (e.g. compliance function and internal audit)
- presence of the management and physical supervision procedures
- approval and authorization systems
- confirmation and balancing procedures
- proper differentiation of tasks and functions to avoid dangerous task combinations.

RISK MANAGEMENT AND THE MOST SIGNIFICANT RISKS OF THE COMPANY

The purpose of risk management is to ensure that the significant risks related to the operations of the company are identified, assessed and measured, and that they are observed and managed as a part of daily business management. The parent company of the group, Privanet Group Plc, has the primary responsibility to ensure that the internal supervision of the group is adequate and in a proper relation to the risks related to business operations. The risk management, compliance and internal audit functions, as well as the auditors, participate in the implementation and supervision of the internal supervision and risk management of the group. The Company monitors the risks related to its activities and operating environment on a regular basis and maintains procedures with which it aims at risk minimization. Risks are observed continuously, and the CEO reports on the operational risks to the Board of Directors quarterly. Risks are assessed regularly with a risk analysis on operational risks and an extensive risk mapping that are carried out at least once a year.

RISK MANAGEMENT ORGANIZATION

Risk management committee

The Group's risk management is carried out in a centralized manner in the risk management committee of Privanet Group Plc. Its members included, at the end of the financial period, the CEOs of all Group companies, the Chief Financial Officer of the Group, the Investment Director, the Financing Director and the Compliance function. The risk management committee controls, in addition to and in support of the CEOs, the Group's compliance with the risk management principles and risk strategies

approved by the Board of Directors, assesses risks of the Group and monitors risk occurrence, and supervises the functionality of risk management of the Group. The risk management committee reports its observations to the CEO, who in turn reports issues related to risk management to the Board.

Compliance function

The Compliance function is managed in a centralized manner from the parent company of the Group, Privanet Group Plc, and it operates independent of the Board of Directors, operational management and business units. The purpose of the Compliance function is to ensure compliance with industry regulations, orders and guidelines in the Group, and to increase the awareness of the management of the Group and the entire organization of current regulation and procedural requirements. The Compliance function assists the management in risk management and carries out an assessment of compliance-related risks of the Group at least once a year. The Compliance function performs supervision not only as a part of daily business, but also through inspections set in the inspection plan of the Board of Directors. The Compliance function reports its observations to the CEO and the Board of Directors.

Internal audit

The purpose of internal audit is to assess and confirm, in accordance with the inspection plan approved by the Board of Directors, the efficiency and coverage of risk management of the Group, the sufficiency of supervision procedures, and the reliable organization of the Compliance function. The Board of Directors has decided to outsource the internal audit function to Oy Tuokko Ltd, where authorized public accountant (KHT) Janne Elo acts

as the principal internal auditor. Internal audit reports its observations to the CEO and the Board of Directors.

THE MOST SIGNIFICANT RISKS OF THE COMPANY

Risks related to the business environment

- Development of the general economic, social and political situation may have a negative effect on the Company's business and prospects. Especially the economy slowing down, going into a recession, or other trends in Finland, Europe and all over the world may affect the investment behavior of the Company's clients (e.g. decrease their investment activity) and in the business of the companies that are being traded and the value of the securities (e.g. shares) they have issued. These matters may have a negative impact on the volume of the Company's business and the commission and trading profits the Company receives.
- Uncertainty factors regarding the increase, tightening, and application of regulation may have a negative impact on the Company's business in the form of e.g. decreased profits, increased costs, or a realized reputational risk. Regulation of the financial regulation that is applied to the Company may change and tighten in a way that increases e.g. the administrative duties of the Company and thus cause additional expenses. There is also a risk that the Company may interpret laws and executive orders incorrectly or fails to comply with them due to a mistake in interpretation, human error, or other reasons. Changes in regulation and its application and the requirements set by authorities are outside the Company's sphere of influence. The Company

aims to prepare for changes in regulation and their interpretation well beforehand by closely monitoring such changes.

Risks related to business operations and strategy

- The Company's business is based on intermediating and trading securities of unlisted companies. The success of the Company depends on how well the Group manages to select successful target companies that have potential for growth. If the Company fails in the selection of target companies, counterparty and credit risks related to trading may occur, and the Company's clients may also suffer losses. These kinds of failures may also take management and personnel resources away from developing other business operations.
- There is a risk that the Company or a subsidiary fails in product/service development, or that competitors introduce new systems, technological solutions, services, service concepts or financial products that the clients deem to be better than the Company's products or services. Competitors' resources for product/service development and personnel, marketing, technological or financial resources may exceed the corresponding resources of the Company, which may enable competitors to react more rapidly to new technologies, changes in regulation, customer needs or other circumstances. Even though the Group aims to define its services and financial instruments being traded based on current customer needs and price them competitively, there is no guarantee that the Company will succeed in a price competition with current or new competitors.
- The client base of the Company may decrease

due to increasing competition or a failed range of services. It is also possible that increasing competition may require lowering commission and trade pricing or the profit targets set for trading on the Company's own account, even without changes in the number of clients.

- A realized reputational risk may cause clients to lose confidence in the Company, which may lead to a decrease in the volume of the Company business, thereby causing significant adverse effects for the Company's business operations, result and/or financial standing. For example, failures in pricing and performing services, selecting target companies for trading and defining trade price, complying with regulation, selecting cooperation partners and expanding business may damage the image and reputation of the Company. Reputational risk can also be caused by court processes, authoritative consequences, malpractice, mistakes or misconduct by the management, personnel, or cooperation partners, data security violations or shortcomings, disappointed clients, and other similar matters. Financial loss that is realized through a reputational risk may also be caused by potential negative articles and news coverage on the Internet and the media.
- There is a risk that the Company may fail in drafting, updating, or implementing its strategy. It is also possible that the Company does not reach its financial goals regarding its strategy, or that the Company fails in the management of strategic risks.
- Changes in profit expectations regarding the consolidated goodwill and future business priorities and directions may result in a decrease of

the consolidated goodwill. The financial information lists a consolidated goodwill of 2.00 million euros for the Group on 31 December 2018. The write-off period of the consolidated goodwill in the financial statements of the Company is five years. In case the profit expectations regarding the consolidated goodwill do not meet current expectations in the future, it may be necessary to adjust the write-off period or do an impairment write-down on the balance sheet value, either fully or partially, which may have negative effects on the Company's financial standing.

- Deterioration in the subsidiary companies' results or financial standing may result in a decrease on the value of the subsidiary company shares listed in the Company's balance sheet. The book value of subsidiary company shares in the parent company's balance sheet is 8.33 million euros, and there are 0.36 million euros worth of intra-group receivables from the subsidiaries (31 December 2018). In case the profit expectations regarding the subsidiaries are not realized as expected, the Company may lose the value of its holdings and receivables partially or entirely. Negative changes in the financial standing of the subsidiaries may have fundamental adverse effects in the Company's business, results and financial standing in the future.
- Insurance may not necessarily cover all the risks, accidents and disruptions regarding the Company's business, or the sum of the claims made towards the Company due to the mistakes or negligence of its personnel, even though the Company has aimed to set its insurance coverage in a comprehensive manner and according to industry practices.

Operational risks

Operational risk refers to direct or indirect risk of loss caused by insufficient or failed internal processes, systems, personnel or external factors. Operational risks also include legal risks regarding money laundering and funding of terrorism, as well as information security.

- In its operations, the Company uses external service providers, the most significant of which are the tied agents of Privanet Capital Markets Ltd, financial administration and IT service providers, as well as banks where client funds are stored. When outsourcing services, the Company abides by the Act on Investment Services and regulatory provisions, and aims to select reliable service providers with a good reputation. Despite this, risks may be involved with external service providers and custodians of client funds that have an impact on the Company's business and clients due to reasons originating from the service provider's ability to function or the quality of service. Even though the Company aims at shielding itself against service providers' mistakes, breaches or negligence through damage compensation clauses included in the agreements, the damage caused by service providers' operations may remarkably harm the Company's business (e.g. through liability for damages towards its clients and/or realized reputational risk). It is possible that failures in the information systems developed and maintained by external service providers or a service provider's inability to fulfil their contractual obligations may cause interruptions or harm for the critical functions of the Company. Interruptions and failures in information systems may lead to administrative consequences, client claims or loss of client relationships. The Company and its most important information system

service provider have continuity plans for failures in information systems, and when necessary, the functionalities provided by information systems can be replaced with temporary arrangements.

- Data systems and communication links may cease to function because of, for example, outsourced service providers, power outages, natural catastrophes, fires, major accidents, data security breaches or inappropriate use by employees. Essential interruptions or serious faults in information systems and communication links, machine failures, disturbances in devices or applications, full or partial demolition or loss of databases, faults in data communication or other disturbances, may cause remarkable harmful effects on the business of the Company.
- In its operations, the Company handles a considerable amount of sensitive information, such as information regarding client relationships and clients' financial standing. The Company's data systems and communication links are prone to data security threats, and the risk of data security attacks has increased due to e.g. development in hacking and organized and specialized crime. Communication links and data systems may be subject to unauthorized use, misuse, violations, viruses, hacking, phishing attempts, and other similar attacks or violations. The Company aims to shield itself from these and other data security attacks and similar actions with appropriate procedures. However, it is possible that, despite these preparations, Company operations may cease or be disrupted because of an information security breach. It is also possible that information security breaches cause significant harm to clients of the Company.

- In case the Company loses one or more members of its key personnel, it may harm or slow down the development and growth of the Company and result in the loss of client relationships. The same may also happen if the Company fails in training and recruiting key personnel and otherwise professional personnel and in keeping them in the Company.
- Operational risks include risk of damage caused by possible human error in Company operations, e.g. incorrect information given to clients regarding service or financial instruments offered, or incorrectly executed transactions or trade orders. Operational risks also include risk of damage caused by Company personnel (including all employees, managers and tied agents of Group companies) breaking the law, regulations, rules or international guidance by mistake or on purpose. This kind of mistakes or misuse may result in liability for damages or administrative consequences, in addition to which they may materially harm the reputation of the Company which, in turn, may harm the Company's ability to keep its current clients and to acquire new ones. The Group aims to ensure compliance with regulation and prevent violations in all its operations with, for example, careful recruitment processes, internal guidance and supervision, as well as regular training of the personnel.
- Compliance risk refers to risk caused by a failure to comply with external regulation and internal procedures (including duties regarding the prevention of money laundering and the funding of terrorism) and procedures and ethical principles regarding client relationships. Even though the Company aims at managing the compliance risk with internal guidance and supervision and by

regularly training the personnel, for example, it cannot be guaranteed that the Company's actions in managing the compliance risk are sufficient. If a compliance risk occurs, it may cause financial losses or have administrative consequences. The occurrence of the risk may also cause damage to the Company's reputation, continuity of its client relationships and the acquisition of new clients.

- The Company may become subject to or a party in a trial, arbitration, administrative, authoritative or similar proceedings. These kinds of processes and the threat thereof may cause notable costs to the Company, take up management and personnel resources, and have other adverse effects on the Company's business, reputation and prospects.

Financial and financing risks

- Investment risk: Privanet Group Plc and Privanet Capital Markets Ltd perform investment operations by dealing on their own account in compliance with an investment plan and internal guidance approved by the Board of Directors. There is no guarantee of success in investment operations. Investment operations of the Company involve a risk of losses or depreciation. There is also a risk that investment operations of the Company may not comply with the limits set by the Board of Directors despite internal guidance and supervision.
- Credit and counterparty risk: Trading on the Company's own account, investment operations and brokerage of securities involve a risk that the counterparty (client or agreement partner) is unable to fulfil its obligations towards the Company. If a client does not pay the sales price

or deliver securities, or if the issuer of securities included in the Company's investment assets becomes insolvent, the Company may have to cover the possible losses from its own funds. The Company manages credit and counterparty risks with diversifying deposited funds, as well as with limits and controls that guide investment operations of the Company.

- Financing risk: The Company currently finances its business operations and investments with income capital and loan capital with interest. Changes in the macroeconomic environment and finance markets may have adverse effects on the availability and conditions of the Company's funding. Maintaining liquidity, raising funds, maintaining competitiveness and business operations also require that the Company's operations generate enough cash flow. If the Company is unable to generate enough cash flow, it may not be able to ensure that it has sufficient financing and on competitive terms.
- Liquidity risk: The Company must constantly have a sufficient amount of liquid assets to finance business operations. Failure to maintain liquidity may have adverse effects on the Company's business operations, results, and/or financial standing.
- The Company drafts its financial statements in accordance with Finnish accounting legislation, accounting principles commonly accepted in Finland, and Financial Supervisory Authority regulations. It is possible that the accounting standards applicable to the Company will change or that the Company will decide to apply international accounting standards. These kinds of decisions may expose accounting to risks involved

in changing accounting principles, standards and methods, and these may affect the numbers reported.

Company operations may also involve risks that the Company has not been able to identify.

RISK MANAGEMENT AND BUSINESS RISKS

The most essential risk for the financial year 2018 is focused on companies that belong to the Lapis group and whose bankruptcy proceedings are still in progress. The estate administrator of the bankruptcy estate of Lapis Rakennus has drawn up a draft disbursement list and the Company has disputed certain bases for disbursement that were presented in the list. Actions for damages have been brought against Privanet Capital Markets Ltd and its former management related to promissory notes between Lapis Rakennus Oy and investors. The pre-trial investigation, that was started as a result of a report of an offence that the Company has made regarding to people in charge of Lapis, has reportedly not yet been finished. The company has made an agreement with an external service provider regarding the response to the actions brought against the company and sorting out the Company's standing. The Company denies the arguments presented in the actions for damages. The external service provider operates in cooperation with those who are responsible for the risk management of the Company. The Company has ended up writing down all the investments and receivables regarding the Lapis group. As the bankruptcy proceedings are still in progress, the Company is not aware of the disbursements that it possibly will receive.

SOLVENCY MANAGEMENT

The aim of solvency management is to ensure Privanet Group's risk bearing capacity and thereby guarantee the long-term continuity of operations. The basis for the solvency management process is that the amount and quality of Privanet Group's own assets are sufficient to constantly cover relevant risks involved in the Group's operations. The solvency management process is closely linked to the risk management process and the Group's financial and strategic planning.

The CEO and the Board of Directors have the primary responsibility for organizing risk management and solvency management properly in the Company. Privanet Group's solvency management process includes:

- description of the solvency management process,
- conclusions of assessments of different areas of risk,
- assessment of the sufficiency of own capital and capital planning,
- board guidance (strategy and the Group's internal instructions) and
- monitoring solvency management.

The Board of Directors approves annually the solvency management principles, the capital plan implemented to maintain solvency and liquidity risk management principles for Privanet Group. The Board of Directors monitors the realization of set goals and internal principles based on internal reporting.

Capital planning is part of business planning by the upper management. The Board of Directors confirms the target level of Company capital in terms

of quantity and quality and the plan to reach and maintain the targets. The plan is based on the risk level approved by the Company, and it is updated whenever necessary, and at least once a year. The capital planning process also includes planning the liquidity position of the Company, maintaining the liquidity reserve required for solvency and continuity planning for disruptions.

An auditing company assesses solvency management annually.

PROPOSAL OF THE BOARD OF DIRECTORS FOR MEASURES REGARDING THE COMPANY'S RESULT AND EQUITY

Privanet Group Plc's result for the financial period that ended on 31 December 2018 was -1 147 035.24 euros and the distributable assets were -198 728.84 euros. The Board of Directors proposes to the Annual General Meeting that no dividends will be paid based on the balance sheet that has been adopted for the financial period that ended on 31 December 2018.

SIGNIFICANT EVENTS AFTER THE FINANCIAL PERIOD

In January 2019, there were co-operation negotiations in the group that affected the personnel of the parent company Privanet Group and the subsidiary company Privanet Capital Markets. As a result of the negotiations, Privanet Group terminated three employment relationships and Capital Markets 24 employment relationships. In Privanet Group's organization the reductions resulted from the outsourcing and combining of duties that were

carried out particularly in financial administration, marketing and information technology functions. In Capital Markets' organization the reductions resulted from outsourcing the sales function. Sales personnel was offered an opportunity to continue operating on behalf of the group through their own companies as tied agents. After the negotiations, Capital Markets started discussions regarding new tied agent contracts.

On 7 February 2019 the Company signed a preliminary agreement, according to which Privanet Group Plc buys all shares of Noweco Partners Oy. The aim of the company is to establish a fund called Noweco Nordic Fund V Ky that invests in Nordic, primarily Finnish and Norwegian unlisted growth companies. The fund is intended to be directed mainly at Finnish professional investors and possibly at professional investors located in the EEA area as well. The marketing of the fund is intended to begin in April, in which case the fund would start operating approximately in August 2019.

The share of Privanet Group Plc, the parent company of the group, was listed on the NGM Finland multilateral trading facility operated by Nordic Growth Market AB. The shares of the company have already been traded on the Nasdaq First North Finland trading venue, which made this a euro-denominated cross-listing. Trading in the Company's shares commenced on the marketplace on 8 February 2019.

FUTURE PROSPECTS

As a result of the weakened operating result, the Company has started a cost saving program that aims at achieving significant annual cost savings. Through the outsourcing of operations, a remarkable share of the fixed expenses of the group are variable expenses in the future. The cost saving program begins to have full effect during the second half of the year.

The company is changing its business operations

towards activities that generate more recurring cash flow, as, for example, the fund business is being launched. The risk of own investment operations of the Company will be decreased.

Because of the big changes that have taken place in the Company, the Company does not give a guidance regarding turnover for the financial year 2019. The Company aims at turning its business operations profitable during the financial year based on the arrangements that will cut expenses and are already agreed on.

FINANCIAL REPORTING

The Company will publish a half-yearly financial report for the period 1 January – 30 June 2019 on Thursday, 29 August 2019.

Helsinki, 28 February 2019
Privanet Group Plc
Board of Directors

” The Hertta heart attack risk detector helps you change your habits in time and reduces the risk of heart attack.

ZORA

In March 2018, Zora Biosciences Oy raised a total of EUR 1,761,564 in the investment round organised on Privanet's Around.fi platform.



04

**PRIVANET GROUP PLC'S FINANCIAL
STATEMENTS 1 JANUARY - 31 DECEMBER 2018**

THE KEY FIGURES OF THE GROUP

	1-12/2018 12 months	1-12/2017 12 months	Change
Turnover, 1000 EUR	8 292	13 971	-40.65 %
Operating profit/loss, 1000 EUR share of turnover %	-3 368 -40.62 %	4 797 34.34 %	-170.22 % -74.96
Profit/loss for the accounting period, 1000 EUR share of turnover %	-3 382 -40.79 %	3 768 26.97 %	-189.77 % -67.76
Earnings per share, EUR	-0.24	0.27	-189.77 %
Book value of equity per share, EUR	0.77	1.25	-38.14 %
Return on equity (ROE) %	-23.84 %	25.21 %	-49.05
Return on assets (ROA) %	-16.25 %	18.36 %	-34.61
Equity ratio %	63.07 %	71.79 %	-8.72
Cost/income ratio	1.25	0.66	90.00 %
Average personnel during the accounting period	59	48	22.92 %
Number of shares at the end of the accounting period	14 054 317	14 054 317	0

THE KEY FIGURES OF THE PARENT COMPANY

Privanet Group Oyj	1-12/2018 12 months	1-12/2017 12 months	Change
Turnover, 1000 EUR	5 398	11 959	-54.86 %
Operating profit/loss, 1000 EUR share of turnover %	-1 133 -20.99 %	4 370 36.54 %	-125.93 % -57.53
Profit/loss for the accounting period, 1000 EUR share of turnover %	-1 147 -21.25 %	3 502 29.28 %	-132.76 % -50.53
Earnings per share, EUR	-0.08	0.25	-132.76 %
Book value of equity per share, EUR	0.84	1.15	-27.11 %
Return on equity (ROE) %	-8.21 %	25.99 %	-34.20
Return on assets (ROA) %	-5.39 %	17.81 %	-23.20
Equity ratio %	59.17 %	71.22 %	-12.05
Cost/income ratio	0.97	0.63	52.28 %
Average personnel during the accounting period	20	13	53.85 %
Number of shares at the end of the accounting period	14 054 317	14 054 317	0

THE PRINCIPLES FOR CALCULATING THE KEY FIGURES

Operating profit, % of the investment service income

Operating profit x 100

Income from investment services

Profit for the financial period, % of the investment service income

Profit for the period x 100

Income from investment services

Earnings per share, euros

Profit/loss for the period

Period's number of shares

Book value of equity per share, euros

Shareholders' equity at the end of the period

Period's number of shares

Return on equity, %

Operating profit/loss - direct taxes x 100

Average shareholders' equity

Return on assets, %

Operating profit/loss - direct taxes x 100

Average balance sheet total

Equity ratio, %

Shareholders' equity x 100

Balance sheet total

Cost/income ratio (before depreciation and reduction from consolidated goodwill), %

Commission expenses + Interest expenses + Administrative expenses
+ Depreciation and reduction + Other operating expenses

Income from investment services - Minority interest from the period's result

INCOME STATEMENT OF THE GROUP

	1 January - 31 December 2018	1 January - 31 December 2017
Fee and commission income	3 428 288	2 483 175
Net gains from securities and foreign currency transactions*	4 464 048	0
Income from equity investments	9 997	39 540
Interest income	218 454	85 064
Net income from financial assets at fair value*	0	11 306 592
Net income from investment property	84 630	-17 107
Other operating income	86 522	73 335
INCOME FROM INVESTMENT SERVICES	8 291 938	13 970 599
Fees and commission expenses	-1 078 099	-1 211 373
Interest expenses	-280 696	-151 343
Administrative expenses		
Personnel expenses		
Wages and salaries	-3 892 747	-3 487 152
Social security expenses		
Pension expenses	-706 486	-656 921
Other social security expenses	-93 523	-104 635
Other administrative expenses	-3 198 941	-2 364 209
Administrative expenses total	-7 891 696	-6 612 917
Depreciation, amortisation and impairment of consolidated goodwill	-329 407	-47 373
Depreciation, amortisation and impairment of tangible and intangible assets	-41 594	-43 663
Other operating expenses	-723 862	-1 106 961
Impairment losses from other financial assets	-1 314 933	0
OPERATING PROFIT/LOSS	-3 368 351	4 796 968
Direct taxes	-13 899	-1 029 136
PROFIT/LOSS FOR THE FINANCIAL PERIOD	-3 382 250	3 767 832

*Along with the IFRS 9 that came into effect on 1 January 2018, net income from financial assets is classified in "Net gains from securities and foreign currency transactions" instead of "Net income from financial assets at fair value".

BALANCE SHEET OF THE GROUP

ASSETS	1 January - 31 December 2018	1 January - 31 December 2017
Receivables from credit institutions		
Payable on demand	461 106	5 627 080
Debt securities	465 014	1 099 038
Shares and participations	12 020 181	7 652 996
Shares and participations in associated companies	34 119	14 808
Intangible assets		
Consolidated goodwill	2 000 132	2 329 539
Other long-term expenses	112 384	121 924
Tangible assets		
Investment property and shares and participations in investment property	451 844	525 284
Other property and shares and participations in investment property corporations	296 259	296 259
Other tangible assets	26 393	32 358
Other assets	1 164 343	6 424 805
Accrued income and prepayments	164 931	299 288
Deferred tax assets	349	349
TOTAL ASSETS	17 197 054	24 423 728
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Liabilities to credit institutions	489 331	33 200
Liabilities to the public and general government	4 005 361	2 960 000
Other liabilities	526 440	1 719 828
Accrued expenses and deferred income	1 170 050	2 016 962
Deferred tax liabilities	160 082	160 082
TOTAL LIABILITIES	6 351 263	6 890 073
SHAREHOLDERS' EQUITY		
Share capital	80 000	80 000
Other restricted reserves		
Fair value reserve		
For valuing into fair value	0	638 930
Unrestricted reserves		
Unrestricted shareholders' invested equity reserve	11 892 958	11 892 958
Retained earnings/loss	5 503 979	4 290 912
Sales and purchases of parent company securities	-16 404	5 823
Distribution of dividend	-3 232 493	-3 142 800
Profit/loss for the financial period	-3 382 250	3 767 832
TOTAL SHAREHOLDERS' EQUITY	10 845 791	17 533 655
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	17 197 054	24 423 728

CASH FLOW STATEMENT OF THE GROUP

Cash flow from business operations	1 January – 31 December 2018	1 January – 31 December 2017
Operating profit	-3 368 351	4 796 968
Adjustments to operating profit	371 002	91 036
Change in working capital	248 844	-2 019 284
Taxes paid	-694 977	-497 202
Cash flow from business operations	-3 443 482	2 371 518
Cash flow from investments		
Investments in tangible and intangible assets	47 350	171 513
Investments in other investments	-22 438	-14 808
Cash flow from investments	24 913	156 705
Cash flow from financing		
Shareholders' equity increases with payment	0	2 002 445
Long-term loans raised	4 494 692	2 960 000
Instalments of long-term loans	-2 993 200	-2 822 200
Sales and purchases of parent company securities	-16 404	5 823
Dividends paid and other profit distribution	-3 232 493	-3 142 800
Cash flow from financing	-1 747 405	-996 733
Change in cash and cash equivalents	-5 165 975	1 531 491
Cash and cash equivalents on 1 January	5 627 080	4 095 589
Cash and cash equivalents on 31 December	461 106	5 627 080

The change in working capital includes the changes in the balance sheet value of debt securities and shares and participations adjusted with fair value entries.

CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Fair value reserve	Unrestricted shareholders' invested equity reserve	Retained earnings	Minority share	Total equity
Equity on 1 January 2017	80 000	127 158	7 418 083	4 626 613	102 406	12 354 260
Purchases of own securities				-836 324		-836 324
Sales of own securities				842 146		842 146
Increase in shareholders' equity			4 474 876	-335 702	-102 406	4 036 768
Change in fair value		511 773				511 773
Distribution of dividend				-3 142 800		-3 142 800
Profit/loss for the period				3 767 832		3 767 832
Equity on 31 December 2017	80 000	638 930	11 892 958	4 921 766	0	17 533 655

	Share capital	Fair value reserve	Unrestricted shareholders' invested equity reserve	Retained earnings	Minority share	Total equity
Equity on 1 January 2018	80 000	638 930	11 892 958	4 921 766	0	17 533 655
Purchases of own securities				-679 902		-679 902
Sales of own securities				663 498		663 498
Increase in shareholders' equity				-56 717		-56 717
Change in fair value		-638 930		638 930		0
Distribution of dividend				-3 232 493		-3 232 493
Profit/loss for the period				-3 382 250		-3 382 250
Equity on 31 December 2018	80 000	0	11 892 958	-1 127 167	0	10 845 791

INCOME STATEMENT OF THE PARENT COMPANY

	1 January - 31 December 2018	1 January - 31 December 2017
Fee and commission income	0	3 600
Net gains from securities and foreign currency transactions*	3 475 342	0
Income from equity investments	5 958	38 995
Interest income	185 542	72 507
Net income from financial assets at fair value*	0	10 551 350
Net income from investment property	82 848	-14 784
Other operating income	1 648 611	1 307 023
INCOME FROM INVESTMENT SERVICES	5 398 301	11 958 691
Fees and commission expenses	-1 330 033	-4 803 531
Interest expenses	-279 835	-140 460
Administrative expenses		
Personnel expenses		
Wages and salaries	-1 161 654	-1 037 196
Social security expenses		
Pension expenses	-209 029	-186 445
Other social security expenses	-25 511	-26 580
Other administrative expenses	-1 855 784	-1 182 731
Administrative expenses total	-3 251 978	-2 432 952
Depreciation, amortisation and impairment of tangible and intangible assets	-2 354	-3 139
Other operating expenses	-352 304	-208 672
Impairment losses from other financial assets	-1 314 933	0
OPERATING PROFIT/LOSS	-1 133 136	4 369 936
Direct taxes	-13 899	-868 098
PROFIT/LOSS FOR THE FINANCIAL PERIOD	-1 147 035	3 501 838

*Along with the IFRS 9 that came into effect on 1 January 2018, net income from financial assets is classified in "Net gains from securities and foreign currency transactions" instead of "Net income from financial assets at fair value".

BALANCE SHEET OF THE PARENT COMPANY

ASSETS	31 December 2018	31 December 2017
Receivables from credit institutions		
Payable on demand	59 177	3 423 302
Debt securities	365 014	1 079 038
Shares and participations	9 491 588	7 090 219
Shares and participations in associated companies	3 333	0
Shares and participations in group companies	8 332 180	4 960 408
Tangible assets		
Investment property and shares and participations in investment property	233 844	233 844
Other property and shares and participations in investment property corporations	296 259	296 259
Other tangible assets	7 063	9 418
Other assets	1 015 613	5 334 178
Accrued income and prepayments	95 670	254 916
TOTAL ASSETS	19 899 742	22 681 582
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Liabilities to credit institutions	489 331	0
Liabilities to the public and general government	5 209 500	2 960 000
Other liabilities	498 947	2 026 019
Accrued expenses and deferred income	1 767 653	1 381 724
Deferred tax liabilities	160 082	160 082
TOTAL LIABILITIES	8 125 512	6 527 824
SHAREHOLDERS' EQUITY		
Share capital	80 000	80 000
Other restricted reserves		
Fair value reserve		
For valuation at fair value	0	640 327
Unrestricted reserves		
Unrestricted shareholders' invested equity reserve	11 892 958	11 892 958
Retained earnings (loss)	4 180 799	3 181 434
Distribution of dividend	-3 232 493	-3 142 800
Profit (loss) for the period	-1 147 035	3 501 838
TOTAL SHAREHOLDERS' EQUITY	11 774 230	16 153 758
TOTAL EQUITY	19 899 742	22 681 582

CASH FLOW STATEMENT OF THE PARENT COMPANY

	1 January - 31 December 2018	1 January - 31 December 2017
Cash flow from business operations		
Operating profit	-1 133 136	4 369 936
Depreciation according to plan	2 354	3 139
Other income and expenses not involving payment		
Change in working capital	2 276 811	-3 303 057
Taxes paid	-641 387	-417 049
Cash flow from business operations	504 643	652 970
Cash flow from investments		
Investments in tangible and intangible assets	0	154 967
Investments in other investments	-3 333	-2 375 408
Purchased subsidiary securities	-3 371 772	0
Cash flow from investments	-3 375 105	-2 220 441
Cash flow from financing		
Shareholders' equity increases with payment	0	4 474 876
Long-term loans raised	5 698 831	2 960 000
Instalments of long-term loans	-2 960 000	-2 815 000
Dividends paid and other profit distribution	-3 232 493	-3 142 800
Cash flow from financing	-493 662	1 477 076
Change in cash and cash equivalents	-3 364 125	-90 396
Cash and cash equivalents on 1 January	3 423 302	3 513 697
Cash and cash equivalents on 31 December	59 177	3 423 302

The change in working capital includes the changes in the balance sheet value of debt securities and shares and participations adjusted with fair value entries.

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Tracegrow is the only company in the world with the innovative technology for recycling the valuable metals in alkaline batteries back into nature.

TRACEGROW

In October 2018, Tracegrow Oy raised a total of EUR 2,912,087 in the investment round organised on Privanet's Around.fi platform.

ACCOUNTING POLICIES

The financial statements have been drafted in compliance with the Act on Credit Institutions, the decree issued by the Ministry of Finance on the financial statements and consolidated financial statements of credit institutions and investment firms, as well as regulations and guidance of the Financial Supervisory Authority.

Privanet Group Plc, the parent company of the group, as well as Privanet Capital Markets Ltd and Privanet Securities Ltd, subsidiaries of the group, comply with these accounting policies.

The consolidated financial statement has been drafted using the acquisition cost method. Internal ownership has been eliminated, as well as intra-group transactions, receivables and liabilities. The following companies have been consolidated in the consolidated financial statements:

Privanet Group Plc
 Privanet Capital Markets Ltd
 Privanet Securities Ltd
 Privanet Fund Management Ltd
 Before Holding Oy
 Crowhow Oy

Associated companies FundedByMe Finland Oy and Hansdotter Oy have not been consolidated in the consolidated financial statements, because consolidation is not needed in order to give a true and

fair view on the results of operations and financial standing of the Group.

IFRS 9 Financial instruments deals with the classification, measurement and recognition of financial assets and liabilities. The standard became into effect on 1 January 2018, and along with it the net proceeds from financial assets are classified in "Net gains from securities and foreign currency transactions" instead of "Net income from financial assets at fair value". According to the new classification, unrealized changes in current values of the financial assets are entered into books so that they affect the result, whereas before the gains and losses in valuation have been entered into the fair value reserve in the equity. The fair value reserve for the financial period 2017, 638 930 euros, has been annulled to the result of the year 2018. The accounting figures of the comparison year have not been amended to be consistent with the IFRS 9 standard.

VALUATION PRINCIPLES

Financial assets and liabilities

The Company's financial assets are divided into the following categories: assets that are recognized at fair value so that they affect the result, assets that are recognized at their amortized cost, and assets that are recognized at fair value through other comprehensive income. The Company does not apply hedge accounting. Sales and purchases of financial assets are registered on the transaction date.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss. Changes in fair value are recognized through profit or loss for financial assets and liabilities that are held for trading.

Financial assets and liabilities that are expected to generate short-term profit through changes in interest rate, price or exchange rate, are classified as financial assets and liabilities held for trading. Financial assets and liabilities held for trading are measured at fair value on each closing date.

The assets in the parent company securities trading portfolio of the subsidiary Privanet Capital Markets are recognized at fair value through profit or loss, and on the group level these are eliminated from the unrestricted equity of the group.

On the valuation date, the Company uses the commonly approved weighted average method that is based on realized sales prices. Valuation at acquisition cost or lower value only takes place if the market value, i.e. fair value, of unlisted shares and participations cannot be defined in a reliable manner.

Net gains from securities and foreign currency transactions, as well as debt securities, that are recognized at fair value so that they affect the result, are classified in three levels according to their fair value hierarchy. Level 1 input is considered the most reliable evidence of fair value, and the fair values for quoted, fully identical assets obtained from active markets are recognized at this level. Level 2 contains the inputs that are other than quoted prices

belonging to Level 1 observable for assets either directly or indirectly. Level 3 assets refer to inputs that are not observable.

There is a risk of depreciation regarding the investments made on the Company's own account. The fair values of the Company's unlisted shares are based on information regarding asset items, which may not be based on verifiable market information, but instead on management estimates and the best possible available information to a significant extent. The valuation of unlisted shares and bonds in the Company's balance sheet involves uncertainty factors due to the special characteristics of unlisted securities.

Financial assets at the amortized cost

Loans and other receivables are financial assets with fixed or definable instalments. Loans and other receivables are recognized at the amortized cost. Depreciation loss is recognized for receivables in case there is reliable proof that the Company will not be able to collect its receivables according to the original terms.

Converting foreign currency items into Finnish currency

Foreign currency items in the balance sheet are converted into euros at the exchange rate of the balance sheet date, and items in the income statement at the average closing price of three months.

INCOME STATEMENT NOTES

Income and expenses

Business income and expenses are recognized on

an accrual basis and when it is likely that the financial profit/cost involved in a transaction will be capitalized for the Company and can be reliably defined. This principle is applied to the Company's most significant income and expenses as follows:

Fee and commission income

Income from services related to brokerage and trading is recognized when the following prerequisites are fulfilled: the income can be reliably defined, it is likely that the financial advantage involved in the transaction will be capitalized for the Company, and the costs involved in the operation that have realized and will realize can be reliably defined.

Net gains from securities trading and foreign currency transactions

Realized gains and losses, as well as unrealized gains and losses in valuation regarding changes in financial assets that are recognized at fair value through profit or loss, are presented in the income statement item titled "Net gains from securities and foreign currency transactions".

Interest income and expenses

Interest income and expenses are recognized on an accrual basis by taking into account all the agreement terms of financial instruments.

Fees and commission expenses

The item includes intermediation fees paid out to partners for profits that have been charged from customers for services or procedures and that have been recognized under fee income.

Other business income and expenses

Other business income and expenses include gains and losses from handing over fixed assets, allowances received, as well as income and expenses from other than actual business operations.

BALANCE SHEET NOTES**Receivables from credit institutions**

The item includes deposits in credit institutions with a maturity of less than three months. Receivables from credit institutions that are eligible for secondary markets are not listed in this balance sheet item. The item is included in financial assets.

Receivables from the public and general government

The item includes credit given to other entities than credit institutions and central banks, other such receivables, and the amount paid to creditors based on guarantees and other obligations outside the balance sheet. Assets included in the item have been classified as loans and other receivables for valuation purposes.

Debt securities

Debt securities include all the debt instruments eligible for secondary markets, such as government debt obligations, municipal bonds, state and other general government bonds, bank certificates of deposit, commercial papers, as well as bonds and convertible bonds issued by banks and corporations. Assets included in the item are classified as financial assets at fair value for valuation purposes.

Shares and participations

Shares and participations are classified in "Net gains from securities and foreign currency transactions".

Shares and participations in associated companies

Shares in subsidiaries and participating interest undertakings are valued at their acquisition cost.

Intangible assets

Intangible assets include activated development and improvement costs. Their depreciation period is 4-5 years, and straight-line depreciations are made during their estimated financial influence period.

Consolidated goodwill is depreciated over 10 years with straight-line depreciations. During the financial period 2017, Privanet Group Plc organized a share issue to acquire minority holdings of Privanet Securities Ltd. The consolidated goodwill generated in the share issue is added to the 10-year consolidated goodwill depreciation plan. Straight-line depreciations according to plan from the new consolidated goodwill commenced on 1 January 2018.

Tangible assets

Tangible assets consist of hardware and property company shares. Fixed assets are recognized in the balance sheet at the acquisition cost deducted by depreciations according to plan and the possible losses in value. Depreciations according to plan are made using the 25 % reducing balance method of depreciation.

Other assets

Other assets include sales receivables, receivables from intermediating securities, and other short-term receivables. Other assets are recognized at original acquisition cost deducted by possible losses in value.

Financial liabilities other than those held for trading

Other financial liabilities are recognized at fair value based on the value originally accounted for.

Other liabilities

Accounts payable, liabilities from intermediating securities, and other short-term liabilities are listed under other liabilities. Other liabilities are recognized at original cost.

Fair value reserve

Along with the IFRS 9 standard, unrealized changes in current values that are included in "Net gains from securities and foreign currency transactions" are recognized so that they affect the result starting 1 January 2018. Before, gains and losses in valuation have been entered into the fair value reserve of the equity, in which case the tax liability according to the prevailing corporation tax rate (20 %) has been separated from the fair value.

PRIVANET GROUP OYJ

Income statement notes	Group 1 January - 31 December 2018	Group 1 January - 31 December 2017	Parent 1 January - 31 December 2018	Parent 1 January - 31 December 2017
1. Fee and commission income and expenses				
Fee and commission income				
From securities brokerage	1 952 615.90	1 942 754.59	0.00	3 600.00
From consulting	1 475 671.95	540 420.43	0.00	0.00
Total	3 428 287.85	2 483 175.02	0.00	3 600.00
Fees and commission expenses				
From securities brokerage	-1 078 099.26	-1 211 373.45	-1 330 032.99	-4 803 530.91
2. Net gains from securities and foreign currency transactions				
From disposal of financial assets	5 162 917.22	0.00	4 174 211.45	0.00
Impairment losses	-698 869.20	0.00	-698 869.20	0.00
Total	4 464 048.02	0.00	3 475 342.25	0.00
3. Income from equity investments				
From financial assets available-for-sale				
Dividend income	9 996.78	39 540.43	5 958.24	38 995.23
4. Interest income and expenses				
Interest income				
Interest income from debt securities	161 742.54	37 726.87	129 279.88	25 170.29
Interest income from loan receivables	56 711.25	47 336.91	56 261.74	47 336.91
Total	218 453.79	85 063.78	185 541.62	72 507.20
Interest expenses				
Interest expenses from bonds	265 126.47	133 668.14	265 126.47	133 628.14
Interest expenses from financing company loans	171.49	846.55	0.00	0.00
Other interest expenses	15 398.36	16 828.73	14 708.48	6 832.25
Total	280 696.32	151 343.42	279 834.95	140 460,39

Income statement notes	Group	Group	Parent	Parent
	1 January – 31 December 2018	1 January – 31 December 2017	1 January – 31 December 2018	1 January – 31 December 2017
5. Net income from financial assets at fair value				
From disposal of financial assets	0.00	11 449 008.82	0.00	10 693 766.86
Impairment losses	0.00	-142 416.84	0.00	-142 416.84
Total	0.00	11 306 591.98	0.00	10 551 350.02
6. Other business income				
Parent company management fee income	0,00	0.00	1 615 269.77	1 250 889.41
Other income	86 521.97	73 334.63	33 340.97	56 133.23
Total	86 521.97	73 334.63	1 648 610.74	1 307 022.64
7. Other business expenses				
Rent payments	466 462.19	306 595.86	239 921.53	141 260.46
Supervision expenses	36 464.15	36 124.66	4 435.96	4 394.94
Other expense	220 935.70	764 240.09	107 946.76	63 016.86
Total	723 862.04	1 106 960.61	352 304.25	208 672.26
8. Depreciation, amortisation and impairment of tangible and intangible assets				
Depreciation according to plan				
Depreciation on development expenses	34 739.06	30 364.00	0.00	0.00
Depreciation on other long-term expenses	891.00	5 346.00	0.00	0.00
Depreciation on hardware and equipment	5 964.40	7 952.53	2 354.40	3 139.20
Total	41 594.46	43 662.53	2 354.40	3 139.20
9. Impairment losses from other financial assets				
Bonus issue	0.00	0.00	0.00	0.00
Share write-offs	1 314 932.85	0.00	1 314 932.85	0.00
Total	1 314 932.85	0.00	1 314 932.85	0.00

Income statement notes	Group	Group	Parent	Parent
	1 January - 31 December 2018	1 January - 31 December 2017	1 January - 31 December 2018	1 January - 31 December 2017
10. Direct taxes				
Advance taxes	433 979.71	402 238.14	433 979.71	241 200.00
Scheduled tax for the financial period	-433 380.71	626 898.26	-433 380.71	626 898.26
Tax returns/residual taxes	13 299.98	0.00	13 299.98	0.00
Total	13 898.98	1 029 136.40	13 898.98	868 098.26

Balance sheet notes	Group	Group	Parent	Parent
	31 December 2018	31 December 2017	31 December 2018	31 December 2018

11. Receivables from credit institutions

Payable on demand				
From domestic credit institutions	461 105.62	5 627 079.82	59 176.71	3 423 301.88

12. Debt securities

Available for sale				
Other debt securities	465 014.10	1 099 037.71	365 014.10	1 079 037.71

	2018 Group		2018 Parent	
	Book value	Fair value	Book value	Fair value
Nuviz Oy 1/2017	365 014.10	366 000.00	365 014.10	366 000.00
Primex Pharmaceuticals Oy 2016/2020	100 000.00	100 000.00	0.00	0.00
Privanet Group Oyj 1/2016 5.5%	0.00	0.00	25 500.00	25 500.00
Privanet Group Oyj 1/2017 5.0%	0.00	0.00	65 000.00	65 000.00
	465 014.10	466 000.00	455 514.10	456 500.00

Balance sheet notes	Group 31 December 2018	Group 31 December 2018	Parent 31 December 2018	Parent 31 December 2018
13. Shares and participations				
Held for trading				
Publicly quoted	0.00	1 794 569.09	0.00	1 794 569.09
Other	12 020 181.07	5 059 764.24	9 491 588.26	4 495 240.64
Fair value reserve	0.00	798 663.02	0.00	800 409.33
Total	12 020 181.07	7 652 996.35	9 491 588.26	7 090 219.06
14. Shares and participations in associated companies				
Other shares in associated companies	34 118.50	14 808.00	3 333.00	0.00
15. Shares and participations in companies that belong to the same group				
Subsidiary company shares	0.00	0.00	8 332 180.45	4 960 408.00
16. Intangible assets				
Goodwill	2 000 131.72	2 329 539.20	0.00	0.00
Other intangible assets				
Other long-term expenses	0.00	0.00	0.00	0.00
Improvement costs of a condominium unit	0.00	9 801.10	0.00	0.00
Development costs	112 383.91	112 122.97	0.00	0.00
Total	112 383.91	121 924.07	0.00	0.00
Total	2 112 515.63	2 451 463.27	0.00	0.00
17. Tangible assets				
Shares and participations in investment properties	451 843.94	525 283.94	233 843.94	233 843.94
Shares and participations in other properties	296 259.10	296 259.10	296 259.10	296 259.10
Other tangible assets	26 393.15	32 357.55	7 063.18	9 417.58
Total	774 496.19	853 900.59	537 166.22	539 520.62

Balance sheet notes	Group 31 December 2018	Group 31 December 2018	Parent 31 December 2018	Parent 31 December 2018
18. Changes intangible and tangible assets during the financial period				
Intangible assets				
Book value on 1 January	121 924.07	85 813.77	0.00	0.00
+ additions in the financial period	35 000.00	71 820.30	0.00	0.00
- depreciations according to plan in the financial period	-44 540.16	-35 710.00	0.00	0.00
Book value on 31 December	112 383.91	121 924.07	0.00	0.00
Consolidated goodwill				
Book value on 1 January	2 329 539.20	402 675.03	0.00	0.00
+ additions in the financial period	0.00	1 974 237.65	0.00	0.00
- issue directed at minority shareholders	0.00	0.00	0.00	0.00
- depreciations according to plan in the financial period	-329 407.48	-47 373.48	0.00	0.00
Book value on 31 December	2 000 131.72	2 329 539.20	0.00	0.00
Tangible assets				
Book value on 1 January	853 900.59	1 016 820.48	539 520.62	697 627.18
+ additions in the financial period	0.00	330 103.04	0.00	330 103.04
- deductions in the financial period	0.00	-485 070.40	0.00	-485 070.40
- depreciations according to plan in the financial period	-79 404.40	-7 952.53	-2 354.40	-3 139.20
Book value on 31 December	774 496.19	853 900.59	537 166.22	539 520.62
19. Other assets				
Collaterals paid	29 999.85	29 999.85	0.00	0.00
Sales receivables	592 060.71	5 468 636.81	147 892.17	3 384 016.79
Intra-group receivables	0.00	0.00	356 472.51	1 105 161.39
Loan receivables	411 248.62	845 000.00	411 248.62	845 000.00
Other receivables	131 033.95	81 168.06	100 000.00	0.00
Total	1 164 343.13	6 424 804.72	1 015 613.30	5 334 178.18

Balance sheet notes	Group 31 December 2018	Group 31 December 2018	Parent 31 December 2018	Parent 31 December 2018
20. Accrued income and prepayments				
Rental deposit receivables	90 677.41	75 280.77	64 541.57	44 425.57
Interest receivables	14 365.07	63 501.80	14 365.07	63 501.80
Tax receivables	589.41	0.00	589.41	0.00
Other accrued receivables	59 298.85	160 505.44	16 173.77	146 989.08
Total	164 930.74	299 288.01	95 669.82	254 916.45
21. Deferred tax assets				
Deferred tax assets	349.26	349.26	0.00	0.00
22. Debts to credit institutions				
	489 330.63	33 200.00	489 330.63	0.00
Privanet Group Plc has a limit loan of 500 000 euros, of which 489 300.63 euros has been taken out.				
Privanet Securities Ltd has enterprise mortgage worth 75 000 euros that is unrestricted and held by the company.				
23. Debts to the public and general government				
Privanet Group Plc has a loan of 300 000 euros that is related to the Business Finland project.				
Privanet Group Plc 1/2016 bond	2 974 500.00	3 000 000.00	2 974 500.00	3 000 000.00
Subscription period	4 July - 19 August 2016			
Maturity	3 years			
Interest	5.5 % annual interest that is paid quarterly			
Minimum investment	10.000 €			
Subscription fee	A subscription fee may be charged from a subscription			
Amount of the bond in the own portfolio	25 500.00	140 000.00	25 500.00	140 000.00

Privanet Group Plc 1/2017 bond	730 861.11	2 000 000.00	1 935 000.00	2 000 000.00
Subscription period	23 October 2017			
Maturity	3 years			
Interest	5 % annual interest that is paid quarterly			
Minimum investment	10.000 €			
Subscription fee	A subscription fee may be charged from a subscription			

Amount of the bond in the own portfolio	65 000.00	1 900 000.00	65 000,00	1 900 000.00
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	Group	Group	Parent	Parent
Balance sheet notes	31 December	31 December	31 December	31 December
	2018	2018	2018	2018

24. Other liabilities

Accounts payable	400 292.20	1 552 390.42	210 152.42	729 152.60
Liabilities to companies in the same group	0.00	0.00	253 847.68	1 260 550.87
Other liabilities	126 147.42	167 461.90	34 946.94	36 315.27
Total	526 439.62	1 719 852.32	498 947.04	2 026 018.74

25. Accrued expenses and deferred income

Interest liabilities	33 185.78	15 772.78	33 185.78	15 772.78
Tax liabilities	4 655.00	626 898.26	0.00	626 898.26
Intra-group accrued expenses	0.00	0.00	1 504 315.00	509 315.00
Other accrued expenses	1 132 209.05	1 374 671.28	230 152.01	229 737.57
Total	1 170 049.83	2 017 342.32	1 767 652.79	1 381 723.61

26. Deferred tax liabilities

Tax liabilities at fair value	160 081.87	160 081.87	160 081.87	160 081.87
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	Group	Maturity	Parent	Maturity
27. Maturity distribution of financial assets and liabilities				
Receivables from credit institutions	461 105.62	less than 3 months	59 176.71	less than 3 months
Receivables from the public and general government	0.00	less than 3 months	0.00	less than 3 months
Debt securities	465 014.10	3-12 months	365 014.10	3-12 months
Debts to credit institutions	489 330.63	1-5 years	489 330.63	1-5 years
Debts to the public and general government	4 005 361.11	1-5 years	5 209 500.00	1-5 years

	Group		Parent	
	Acquisition cost	Fair value	Acquisition cost	Fair value
28. Fair values and book values of financial assets and liabilities and fair value hierarchy				
Financial assets				
Receivables from credit institutions	461 105.62	461 105.62	59 176,71	59 176,71
Debt securities	465 014.10	465 014.10	365 014.10	365 014.10
Shares and participations	10 690 645.01	12 020 181.07	8 141 102.79	9 491 588.26
Shares and participations in group companies	0.00	0.00	8 332 180.45	8 332 180.45
Financial liabilities				
Debts to credit institutions	489 330.63	489 330.63	489 330.63	489 330.63
Debts to the public and general government	4 005 361.11	4 005 361.11	5 209 500.00	5 209 500.00

	Group			
Financial assets measured at fair value in the balance sheet	Level 1	Level 2	Level 3	Total
Debt securities	0.00	465 014.10	0.00	465 014.10
Shares and participations	0.00	3 488 583.85	8 643 733.52	12 132 317.37
Total	0.00	5 157 736.84	8 643 733.52	13 801 470.36

29. Information on the Company's shares

The Company has one class of shares

Number of shares on 1 January 2018	13 232 843
Number of shares on 31 December 2018	13 232 843
Change during the financial period	0

	Group	Group	Parent	Parent
	31 December	31 December	31 December	31 December
	2018	2018	2018	2018
30. Items of the shareholders' equity				
Restricted equity				
Share capital				
Book value at the beginning of the financial period	80 000.00	80 000.00	80 000.00	80 000.00
Book value at the end of the financial period	80 000.00	80 000.00	80 000.00	80 000.00
Fair value reserve				
Book value at the beginning of the financial period	638 930.41	127 157.62	640 327.46	114 185.36
Additions	0.00	526 142.10	0.00	526 142.10
Deductions	-638 930.41	-14 369.31	-640 327.46	0.00
Book value at the end of the financial period	0.00	638 930.41	0.00	640 327.46
Total restricted equity	80 000.00	718 930.41	80 000.00	720 327.46
Unrestricted equity				
Reserve for invested unrestricted equity				
Book value at the beginning of the financial period	11 892 958.37	7 418 082.80	11 892 958.37	7 418 082.80
Additions	0.00	4 474 875.57	0.00	4 474 875.57
Book value at the end of the financial period	11 892 958.37	11 892 958.37	11 892 958.37	11 892 958.37
Retained earnings				
Profit for the previous financial periods	4 921 766.56	4 290 912.10	3 540 471.85	3 181 434.19
Sales of parent company shares	663 497.64	842 146.15	0.00	0.00
Purchases of parent company shares	-679 901.68	-836 323.55	0.00	0.00
Annulment of the fair value reserve	638 930.00	0.00	640 327.46	0.00
Increase in shareholders' equity*	-56 717.00	0.00	0.00	0.00

*A payment for tax purposes that is related to the organizational change in which Privanet Group Plc bought the shares of Privanet Securities Ltd from its subsidiary Privanet Capital Markets Ltd.

	Group	Group	Parent	Parent
	31 December	31 December	31 December	31 December
	2018	2018	2018	2018
Distribution of dividends	-3 232 492.91	-3 142 800.00	-3 232 492.91	-3 142 800.00
Book value at the end of the financial period	2 255 082.61	1 153 934.70	948 306.40	38 634.19
Profit for the financial period	-3 382 249.66	3 767 831.86	-1 147 035.24	3 501 837.66
Total unrestricted equity	10 765 791.32	16 814 724.93	11 694 229.53	15 433 430.22
Total equity	10 845 791.32	17 533 655.34	11 774 229.53	16 153 757.68
Distributable assets	-1 127 167.05	4 921 766.56	-198 728.84	3 540 471.85

31. The largest shareholders and the distribution of ownership

The information is based on the shareholders' register on 31 December 2018

Name	Sector	%
Mash Group Oyj	Private domestic companies	28.72 %
Finactu Oy	Private domestic companies	8.95 %
Pennin Hevonen Oy	Private domestic companies	7.43 %
Danske Bank A/S Hki Branch	Nominee-registered	4.71 %
Aava Capital Oy	Private domestic companies	3.34 %

Notes on collateral, contingent liabilities and commitments**Pension liabilities**

Personnel retirement plan prescribed by law is arranged by insurance.

Other liabilities	Group		Parent	
	2018	2017	2018	2017
Rental deposits and liabilities	672 048.00	290 934.00	531 148.00	141 219.00
Rental deposits	90 243.00	79 342.00	58 574.00	38 458.00
Rental liabilities				
Less than 5 years	581 805.00	211 592.00	472 574.00	102 761.00
More than 5 years	0.00	0.00	0.00	0.00
Leasing liabilities	62 043.00	131 622.00	35 667.00	40 494.00
Pledges and guarantees	0.00	0.00	0.00	0.00
Other liabilities*	0.00	0.00	0.00	0.00
Total	734 091.00	422 556.00	566 815.00	181 713.00

* Privanet Securities Ltd has enterprise mortgage worth 75 000 euros that is unrestricted and held by the company.

Privanet Group Plc has given a guarantee, as for its own debt, on behalf of Privanet Capital Markets Ltd to an investor client of the company relating to a repurchase commitment of a bond worth 1 466 135 euros.

Intermediation receivables and liabilities

Financial liabilities, client assets	2 326 940.90	1 124 451.24	0.00	0.00
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Notes on personnel and management**Personnel**

Average number of personnel working for the Group

During the financial period

Full-time	55	42	18	11
Part-time	4	6	2	2
Total	59	48	20	13

Change from the previous year

Full-time	13	6	7	0
Part-time	-2	4	0	2
Total	11	10	7	2

Salaries and remunerations of the management

	2018	2017	2018	2017
CEOs	707 515.48	820 380.37	194 900.00	354 515.00
Members of the Board of Directors	212 344.64	412 090.71	66 000.00	165 283.48

Management retirement plan is arranged by insurance prescribed by law.

Auditor's fee

Audit	86 300.23	120 215.83	86 300.23	86 764.23
Tax consultation	0.00	3 906.00	0.00	3 906.00
Other services	0.00	0.00	0.00	0.00
Total	86 300.23	124 121.83	86 300.23	90 670.23

Ownership in other companies

Name	Domicile	Number of shares	% of shares, Group	% of shares, Parent
Privanet Capital Markets Oy	Helsinki	1 080 068	100 %	100 %
Privanet Fund Management Oy	Helsinki	100	100 %	100 %
Privanet Securities Oy	Helsinki	951 906	100 %	100 %
Before Holding Oy	Helsinki	25	100 %	100 %
Crowhow Oy	Helsinki	2 500	100 %	100 %

Information on unconsolidated associated companies in the consolidated financial statements

Name	Domicile	Share of ownership	Profit/loss for the financial period	Equity on 31 December 2018
FundedbyMe Finland Oy	Helsinki	33.44 % (Privanet Securities Oy)	-119 422.73	-97 792.87
Hansdotter Oy	Turku	33.33 % (Privanet Group Oy)	-134 672.25	67 827.70
Privanet Norge AS	Bergen	50.00 % (Privanet Securities Oy)	-19 447.23	18 771.25

RISK MANAGEMENT AND BUSINESS RISKS

The most essential risk for the financial year 2018 is focused on companies that belong to the Lapis group and whose bankruptcy proceedings are still in progress. The estate administrator of the bankruptcy estate of Lapis Rakennus has drawn up a draft disbursement list and the Company has disputed certain bases for disbursement that were presented in the list. Actions for damages have been brought against Privanet Capital Markets Ltd and its former management related to promissory notes between Lapis Rakennus Oy and investors. The pre-trial investigation, that was started as a result of a report of an offence that the Company has made regarding to people in charge of Lapis, has reportedly not yet been finished. The company has made an agreement with an external service provider regarding the response to the actions brought against the company and sorting out the Company's standing. The Company denies the arguments presented in the actions for damages. The external service provider operates in cooperation with those who are responsible for the risk management of the Company. The Company has ended up writing down all the investments and receivables regarding the Lapis group. As the bankruptcy proceedings are still in progress, the Company is not aware of the disbursements that it possibly will receive.

SIGNIFICANT EVENTS AFTER THE FINANCIAL PERIOD

On 7 February 2019 the Company signed a preliminary agreement, according to which Privanet Group Plc buys all shares of Noweco Partners Oy. The

aim of the company is to establish a fund called Noweco Nordic Fund V Ky that invests in Nordic, primarily Finnish and Norwegian unlisted growth companies.

The share of Privanet Group Plc, the parent company of the group, was listed on the NGM Finland multilateral trading facility operated by Nordic Growth Market AB. The shares of the company have already been traded on the Nasdaq First North Finland trading venue, which made this a euro-denominated cross-listing. Trading in the Company's shares commenced on the marketplace on 8 February 2019.

RELATED PARTY DISCLOSURES

The related parties of the Company include group and associated companies, members of the Board of Directors and the management group, the CEO, and people with significant influence or control over the Company. In addition, the related parties of the Company include family members of the aforementioned people, as well as companies over which the aforementioned people have control, joint control, or significant influence. The related parties of the Company have also been defined to include the key audit partner of the Company, as well as their family members.

From the people belonging to the related parties of the Company, Sami Järvinen, Roy Harju, Karri Salmi, and Kimmo Lönnmark were among the ten largest shareholders of the Company at the end of the reporting period through companies they have control over, as well as Matti Heiskala, who belonged to the related parties until November 24th, when the consulting agreement between Iron M Ltd, a com-

pany under his control, and Privanet Capital Markets Ltd regarding sales promotion was terminated. According to the agreement, Iron M provided support and training to the sales organization of Capital Markets, as well as searched and surveyed investments that were suitable to be transmitted to the investment service clients of Capital Markets. There was also a tied agent agreement between Iron M Ltd and Capital Markets until November 24th. Terms and conditions applied in the agreement were equivalent to other tied agent agreements of Capital Markets. Among the largest shareholders was also Raimo Vainionpää, who belonged to the related parties of the Company as a member of the Board of Directors of Capital Markets until December 19th.

There is a cooperation agreement between Privanet Capital Markets Ltd and Mash Group Plc that has belonged to the related parties of the Company since November 16th, when its ownership in the Company exceeded 20%. According to the agreement, Capital Markets is marketing shares and bonds, that Mash has issued, to investors.

During the financial period, the Company's ownership in Siltaraha Oy, over which it has influence, increased from 27.51 percent to 40.71 percent. The Company has granted Siltaraha a credit limit, based on which the Company had 100 000 euros of receivables at the end of the financial period. In addition, the Company has now influence over Hansdotter Oy, that was established during the financial period, with ownership of 33.33 percent. The Company has made 200 000 euros of investments in Hansdotter during the financial period.

The Company and Privanet Capital Markets Ltd

have carried out transactions with the related parties and companies under their control during the reporting period. Transactions regarding

investments have been carried out at the usual market-based prices, or according to the pricing confirmed for the personnel. The transactions have

been carried out in compliance with the company guidance on related parties.

	PRIVANET GROUP OYJ		OTHER GROUP COMPANIES	
	1 January - 31 December 2018	1 January - 31 December 2017 ¹	1 January - 31 December 2018	1 January - 31 December 2017 ¹
Share/bond sales	104 107.36	1 673 997.63	370 447.13 ²	409 798.13
Share/bond purchases	1 244 120.60	1 746 076.83	2 167 498.38 ³	199 000.00
Paid tied agent rewards	-	-	23 478.24	100 670.00
Paid consulting/licensing rewards	9820.80	-	428 285.49	202 068.00
Received consulting/licensing rewards	-	-	312 348.86	-
Loan receivables per 31.12.	300 000.00	200 000.00	-	-
Sales receivables and accrued income per 31.12.	9078.04	903 333.34	127 019.51	42 000.00
Liabilities per 31.12.	70 000.00	-	-	-

1 Figures of the comparative period have been amended as a result of an error that has been detected in the reporting of related party transactions. Transactions between Privanet Group Plc and Privanet Capital Markets Ltd have been removed from the figures.

2 Includes 370 447.13€ of bonds sold to Mash Group Oyj

3 Includes 1 203 314.38€ of bonds purchased from Mash Group Oyj

Information in the table above on share/bond sales and purchases has been presented from the point of view of a company belonging to the group (a group company's sale or purchase).

In addition to the information presented in the table, group companies have carried out transactions regarding financial instruments with each other. Privanet Group Plc has sold to Privanet Capital Markets Ltd 1 319 295.81 euros of bond investments and

2 419 498.80 euros of share investments. Privanet Group Plc has purchased from Privanet Capital Markets Ltd 669 359.88 euros of bond investments and 3 721 766.30 euros of share investments, of which 3 316 213 euros have been shares of subsidiary company Privanet Securities Ltd.

In addition, Privanet Securities Ltd has executed or transmitted orders from the related parties worth 438 926.43 euros during the financial period. Se-

curities has charged a commission from the orders that has been based on the pricing for the personnel, the total of which has been 4385.45 euros during the reporting period. Privanet group companies have also intermediated subscriptions for shares from related parties worth a total of 1 476 716 euros. The group has no other than the aforementioned related party transactions during the reporting period.

NOTES REGARDING THE SOLVENCY OF PRIVANET GROUP PLC (PILLAR III)

	on 31 December 2018	Article of Regulation (EU) No. 575/2013 referred to	C) Amounts to which the treatment preceding Regulation (EU) No. 575/2013 or the remain- der stipulated in the regulation are applied
Common Equity Tier 1 capital (CET1): Instruments and reserves			
1	80 000	26 (1), 27, 28, 29, EBA list 26 (3)	
2	2 255 082	26 (1) (c)	
3	11 892 958	26 (1)	
5a	-3 382 250	26 (2)	
6	10 845 791		
Common Equity Tier 1 (CET1): regulatory adjustments			
8	-2 112 516	36 (1) (b), 37, 472 (4)	
10	-349	36 (1) (c), 38, 472 (5)	
28	-2 112 865		
29	8 732 927		
Additional Tier 1 (AT1): instruments			
36	0		
Additional Tier 1 (AT1): regulatory adjustments			
43	0		
45	8 732 927		

	on 31 December 2018	Article of Regulation (EU) No. 575/2013 referred to	C) Amounts to which the treatment preceding Regulation (EU) No. 575/2013 or the remain- der stipulated in the regulation are applied
Common Equity Tier 1 capital (CET1): Instruments and reserves			
Tier 2 (T2) capital: instruments and provisions			
51	0		
Tier 2 (T2) capital: regulatory adjustments			
57	0		
59	8 732 927		
60	48 073 662		
Capital ratios and buffers			
61	18,17 %	92 (2) (a), 465	
62	18,17 %	92 (2) (b), 465	
63	18,17 %	92 (2) (c)	

Capital instruments' main features template (1 000€)**Common Equity Tier 1 (CET1)
Share capital series A**

1	Issuer	Privanet Group Oyj
2	Unique identifier (ISIN)	ISIN: FI4000153515
3	Governing law of the instrument	Finnish law

Regulation

4	Transitional CRR rules	Common Equity Tier 1 (CET1)
5	Post-transitional CRR rules	Common Equity Tier (CET1)
6	Eligible at solo/(sub-) consolidated/solo & (sub-) consolidated	Solo and consolidated
7	Instrument type (types to be specified by each jurisdiction)	Share capital as published in Regulation (EU) No 575/2013 article 28 Act on Limited Liability Companies, part 1, Chapter 3, Section
8	Amount recognised in regulatory capital	80
9	Nominal amount of instrument	N/A
9a	Issue price	N/A
9b	Redemption price	N/A
10	Accounting classification	Shareholders' shares
11	Original date of issuance	N/A
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A

Capital instruments' main features template (1 000€)**Common Equity Tier 1 (CET1)
Share capital series A****Coupons/dividends**

17	Fixed or floating dividend / coupon	Floating
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	No
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	After all debt claims
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

LEDGERS USED

Subsidiary ledger, as a computer printout

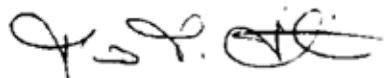
General ledger, as a computer printout

Balance sheet book, bound

Balance sheet itemization

Signatures to the financial statements

Helsinki 28th February 2019



Timo T. Laitinen
Chairman of the Board



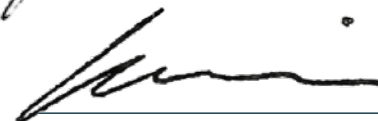
Sami Järvinen



Sakari Tainio



Jorma Vanhanen



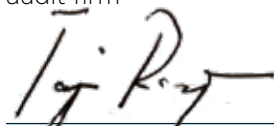
Karri Salmi, CEO

Auditor's note

A report on the audit carried out has been submitted today.

Helsinki 4th March 2019

KPMG Oy Ab
audit firm



Tapio Raappana
Authorized Public Accountant



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This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

Auditor's Report

To the Annual General Meeting of Privanet Group Oyj

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Privanet Group Oyj (business identity code 2393665-6) for the year ended 31 December, 2018. The financial statements comprise the balance sheets, the income statements, cash flow statements and notes for the group as well as for the parent company.

In our opinion, the financial statements give a true and fair view of the group's and the company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor's Responsibilities for the Audit of Financial Statements* section of our report. We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We wish to draw attention to the income statements and statements of cash flows prepared for the Group and the parent company, indicating a decline in the financial performance and liquidity situation. Our opinion has not been qualified on the basis of these circumstances.

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud

is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

Other reporting requirements

Other information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. Our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement of the report of the Board of Directors, we are required to report that fact. We have nothing to report in this regard.

Helsinki, 4th March 2019

KPMG OY AB

TAPIO RAAPPANA
Authorised Public Accountant, KHT

PRIVANET

Money creates happiness.