PRIVANET

PRIVANET GROUP PLC'S
ANNUAL REPORT 2019

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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 Securities Ltd, Privanet Capital Markets Ltd, Noweco Partners Ltd and its subsidiary, as well as Crowhow Ltd. Privanet Securities Ltd carries on business according to an investment service company's license concentrating on maintaining a secondary marketplace for unlisted securities, as well as certain financing arrangements.

Privanet Group serves clients all over Finland and it has offices in Helsinki, Tampere, Oulu and Jyväskylä. In addition, the Norwegian branch office of Privanet Securities Ltd operates in Oslo and Bergen. Operations of the group are supervised by the Financial Supervisory Authority.

CEO's Review

Dear Privanet shareholder,

Year 2019 in Privanet was a year of major changes. The company was significantly recapitalized, its Board of Directors changed almost entirely, it went through a material change in cost structure through reducing its number of personnel and cost structure, and its structural operating model was simplified. At the end of the year, also the management of the company changed entirely as the CFO resigned ant the Board of Directors relieved the CEO of his duties. Mikael Westerlund started as the CFO on 1 October 2019, and I took up the CEO duties on 4 October 2019.

Creating a new strategy together with the Board of Directors became the main task of the new management. Control of the Privanet ship, that was largely drifting without direction, needed to be taken back and divert towards new waters. However, the new strategy cannot be implemented without proper foundations.

The prior practice of the company was to operate as a lead investor in financing rounds that were arranged. The balance sheet of the company was too much utilized in completing the rounds, and the focus was to arrange share issues for early-stage companies. The recent poor success of the share issues has particularly been a consequence of wrong decisions of the prior management.

With the prior practice, the balance sheet of the company has been filled with illiquid investments. As a result, the Board of Directors made 3.8 million euros of write-downs on fair values of securities in the balance sheet of the group companies in December. The fair value was aimed to be defined clearly more prudently than before. In addition, the Board decided to make 2.4 million euros of cost provisions regarding business decisions made during the prior management and liabilities that may result from them.

In accordance with the new strategy, investment activities carried out through the own balance sheet are primarily abandoned. In future, market liquidity of the securities is a significant part of the investment decision. The prior investments have now been aimed to be measured at values with which they can be sold in a short term.

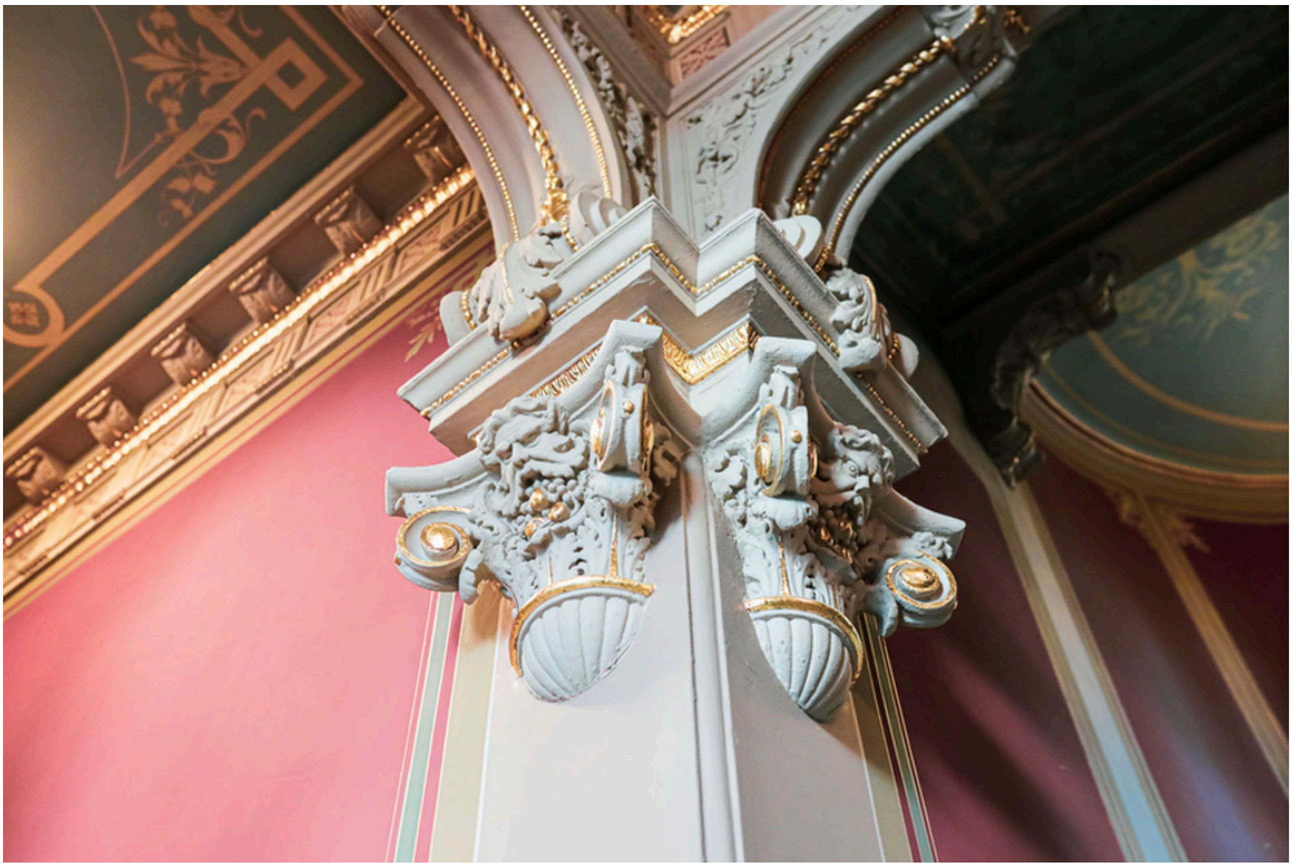
The equity of the company was significantly strengthened by directing two share issues to Mininvest Ltd, a company under Mr. Kim Wiio's control, in May and June. Privanet raised in these share issues 5.2 million euros of additional equity that was paid with in kind consideration, i.e. shares of St1 Nordic Oy. Simultaneously, St1 was brought for trading to Privanet's secondary marketplace, Premarket, and it soon became one of Premarket's top companies.

Overall, Premarket was the bright spot of the year 2019. Trading volumes increased markedly from the previous year, and Premarket proved its significance as an essential Finnish marketplace for unlisted securities. Beside St1, investors had a good interest in Premarket's financially sound investment companies, and it was further increasing towards the end of the year. There was also a completely new product category brought to Premarket at the end of the year, when the brokerage of bonds began. There were four financing rounds arranged in both AROUND and Realinvest platforms, which was distinctly less than in the previous year.

As a result of the change in cost structure that was executed at the beginning of 2019, sales function of the group, except for the sales management, was outsourced to tied agents. Significant cost savings were implemented in the group administration as well. The aim was to make the costs more and more variable in relation to sales volumes. The structural operating model of the group has continued to be simplified, and functional overlaps have been eliminated also during the end of the year. In December, investment service activities of the group were decided to be concentrated under Privanet Securities Ltd's license, and Privanet Capital Markets Ltd's license was decided to be abandoned.

The alteration work to create a profitable and growing business model that was started in the company during the year has made a good progress. Together with the committed and motivated personnel, we can bring better and more interesting investments to investors and serve our growing client base better than before.

Riku Lindström,
Chief Executive Officer



Report of activities of the Board of Directors for the financial period 1.1.-31.12.2019

Operating environment

The global economic growth in 2019 was at the lowest level since the financial crisis that hit the world ten years earlier. Increased obstructions and uncertainties of the trade policy depressed companies' trust and activity in the market. As the global views became more uncertain, companies were more cautious than before in their investments. Also, the demand for consumer durables deteriorated.

Central banks responded to the weakened views at a global level. Federal Reserve, European Central Bank, as well as several central banks in the developing markets reduced interest rates. ECB also restarted its purchase program for securities.

In spite of the weak macroeconomic figures, essential global stock indices increased markedly during 2019, and many of them even reached record levels. The less restrictive monetary policy gave the market a reason to believe in a better future.

Interest in alternative investment products continued to grow. Especially the interest in larger unlisted companies was good and became distinctly better towards the end of the year. Investors were particularly interested in companies that pay good dividends and have strong growth prospects.

Business operations of Privanet Group during the financial period

In January, the group went through a substantial restructuring, as a result of which its number of personnel decreased markedly with the co-operation negotiations and its cost structure was changed. In February, the share of the Company was cross listed to the NGM Finland trading venue operated by Nordic Growth Market AB. In July, Kimmo Lönnmark, who had been the CEO of the investment service companies of the Group, was relieved of his duties. In October, the remaining management changed as well, as Mikael Westerlund was appointed CFO replacing Johanna Hurskainen, and Riku Lindström was appointed CEO replacing Karri Salmi.

At the end of the financial period, the investment service operations of the Group were concentrated under Privanet Securities Ltd's license, and Privanet Capital Markets Ltd's license was decided to be abandoned. As a result of the changes in the sales organization, office network of the Group was tightened, and some offices were closed. Privanet Securities Ltd's branch office in Norway continued to operate during the financial period. The branch office offers investment services in the AROUND crowdfunding platform, whose Norwegian version is used to arrange investment rounds for Norwegian growth companies.

The result of the Group for 2019 was a disappointment as it deteriorated materially. The result was also affected by the one-off write-downs and cost provisions that the Board of Directors made in December. The write-downs had an effect on the result and income from investment services of 3.8 million euros. Cost provisions regarding liabilities that may result from business operations carried out during the prior management, as well as impairment losses on receivables, were 2.4 million euros altogether.

Income from the investment services of the Group was -1.01 million euros (8.29 in the financial year 2018). The majority of the business expenses are administrative expenses, of which personnel expenses were 2.68 million euros (4.69 million euros) and other administrative expenses 4.5 million euros (3.20 million euros). Other administrative expenses include, among others, legal and consulting services, as well as marketing and IT costs. Depreciations from the consolidated goodwill are 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. One-off impairment losses from financial assets were 5.33 million euros altogether. The operating result therefore decreased to -10.98 million euros.

Investments and financing

On 28 February 2019, the Company purchased all shares in Noweco Partners Oy. Noweco is a registered alternative investment fund manager that is launching a new fund that invests in unlisted growth companies. The Financial Supervisory Authority is still processing the application for a marketing permission of the fund, and the marketing could not be started by the end of the financial period as the process was delayed.

In the financial period, the Company continued to develop the Crowhow service that is part of the IT project that is funded with a loan financing acquired through its Business Finland project. 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. In other IT development, investments during the financial period were focused on the development of client registration and the secondary marketplace Premarket.

The Company issued a one-year three-million-euro bond in the second quarter. The bond was recorded almost entirely to the own balance sheet of the Company, after which it has been traded in the secondary market. The amount of liquid assets of the group were 1.10 million euros on 31 December 2019, whereas at the end of 2018 the liquid assets were 0.46 million euros.

The cash flow from business operations between 1 January 2019 and 31 December 2019 was –2.71 million euros (31 December 2018: -3.44 million euros) including the adjusted operating profit of -8.72 million euros (-3.00 million euros) and the paid taxes of -0.01 million euros (-0.69 million euros). The change in working capital was 6.02 million euros 0.25 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 2019 and 31 December 2019 was -1.44 million euros (0.02 million euros) consisting of investments into intangible and tangible assets of 0.00 million euros (0.05 million euros) and other investments of -1.71 million euros (-0.02 million euros). Changes in subsidiary shares were 0.27 million euros (-0.02 million euros).

The cash flow from financing between 1 January 2019 and 31 December 2019 was 4.79 million euros (-1.75 million euros). Shareholders' equity increases with payment were 5.16 million euros (0.00 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 2019 2.94 million euros had been subscribed, as well as debts to a credit institution of 0.50 million euros, and debts to general government of 0.67 million euros. Instalments of long-term loans were -2.97 million euros, and the dividend distributed in April 2019 from the profit for the previous financial period and retained earnings was 0.00 million euros (-3.23 million euros).

The change in cash and cash equivalents during the financial period was 0.64 million euros (-5.17 million euros).

Balance sheet, solvency and equity

Assets in the balance sheet amounted to 13.55 million euros (17.20 million euros) on 31 December 2019, consisting of receivables from credit institutions, which were 1.10 million euros (0.46 million euros), debt securities, which were 1.36 million euros (0.47 million euros) and shares and participations, which were 6.13

million euros (12.02 million euros). Holdings in associated companies were 1.36 million euros (0.03 million euros). Intangible assets included a consolidated goodwill of 1.78 million euros (2.00 million euros) and other long-term costs of 0.07 million euros (0.11 million euros). Tangible assets were 0.77 million euros (0.77 million euros), including 0.75 million euros worth of property shares (0.75 million euros). On 31 December 2019, other assets were 0.77 million euros (1.16 million euros), consisting mainly of sales receivables and prepayments of 0.22 million euros (0.16 million euros).

Equity on 31 December 2019 was 5.20 million euros, which was 5.65 million euros less than on the same time of the year before (10.85 million euros). The reserve for invested unrestricted equity was 17.05 million euros (11.89 million euros). The retained earnings of the group decreased to -11.94 million euros (-2.12 million euros). The fair value reserve was 0.00 million euros (0.00 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 38.4 per cent (63.07 percent) on 31 December 2019.

The liabilities were 8.35 million euros (6.35 million euros) on 31 December 2019. The liabilities consisted mainly of the bonds the Company had issued, worth 2.94 million euros (3.71 million euros) a debt to general government of 0.68 million euros (0.30 million euros), long-term loan of 0.50 million euros (0.49 million euros) from a credit institution, accrued expenses of 0.57 million euros (1.17 million euros), and other debts totaling 3.67 million euros (0.53 million euros). Deferred tax liabilities were 0.00 million euros (0.16 million euros) on 31 December 2019.

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 3.35 million euros (8.73 million euros). The risk-adjusted assets of the Group were 38.63 million euros (48.07 million euros), which makes the ratio of Common Equity Tier (CET1) to risk-adjusted assets 8.66 per cent (18.17 percent). The Group's solvency 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 2019 was 79.00 percent (285.02 percent).

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

Solvency information	31.12.2019	31.12.2018
Common Equity Tier before deductions	5 202 006	10 845 791
Deductions from Common Equity Tier	-1 855 164	-2 112 865
Common Equity Tier (CET1)	3 346 842	8 732 926
Additional Tier 1 capital (AT1)	0	0
Tier 1 capital (T1 = CET1 + AT1)	3 346 842	8 732 926
Tier 2 capital (T2)	0	0
Eligible capital total (TC = T1 + T2)	3 346 842	8 732 926
Risk-adjusted assets total	38 630 419	48 073 662
of which credit risk	3 359 374	2 695 124
of which market risk	14 930 776	24 040 362
of which operational risk	20 340 309	21 338 176
Common Equity Tier (CET1) ratio to risk-adjusted assets (%)	8,66 %	18,17 %
Tier 1 capital (T1) ratio to risk-adjusted assets (%)	8,66 %	18,17 %
Total capital (TC) ratio to risk-adjusted assets (%)	8,66 %	18,17 %
Minimum equity ratio	79,00 %	285,02 %

Personnel, management and administration

On 31 December 2019, the Group had a total of 22 employees (31 December 2018: 59). The employees were in the Group companies Privanet Group Oyj, Privanet Capital Markets Ltd, Privanet Securities Ltd, Noweco Partners Ltd and Crowhow Ltd in Finland, and the branch office of Privanet Securities Ltd in Norway. In addition, 12 tied agents were working in a contractual relationship on behalf and under the responsibility of Privanet Securities Ltd through their own companies.

In the beginning of the financial period, the Board of Directors of Privanet Group Oyj consisted of five ordinary members, who were Timo T. Laitinen, Jorma Vanhanen, Sami Järvinen, Sakari Tainio and Karri Salmi. The term of office of the members ended on 27 March 2019, when the Annual General Meeting was held, and four ordinary members were elected to the Board: Timo T. Laitinen, Mika Lehtimäki, Tommi Lindfors and Jonas Lindholm. On the Extraordinary General Meeting that was held on 14 June 2019, Kim Wiio was elected to the Board beside the aforementioned members, after which the Board continued operating with five members. The term of office of the current members of the Board continues until the close of the following Annual General Meeting. Of those who have been members of the Board during the financial period, only Karri Salmi has been in an employment or assignment relationship to a company belonging to the Privanet Group. Timo T. Laitinen served as the Chairman of the Board throughout the entire financial period. Karri Salmi served as the CEO of the company until 4 October 2019, and Riku Lindström from then on.

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

The number of shares of Privanet Group Oyj at the end of the financial period was 20 054 317 (14 054 317). The average number of shares on the financial period was 17 054 317, whereas on the financial period 2018 it was 14 054 317. The number of shares increased as a result of the share issues that were carried out in May and June, in which a total of 6 000 000 new shares of the Company were directed to Mininvest Ltd. Each share of the Company has one vote and provides equal rights to dividends and assets of the Company. On 31 December 2019, the share capital of the parent company was 80 000 euros and the total equity was 11 331 723 euros.

On 31 December 2019, Privanet Group Oyj had a total of 1700 shareholders. The largest shareholders of the Company were Mininvest Ltd (a company under Kim Wiio’s control, ownership 29.92%), Mash Group Oyj (ownership 20.13%) and Finactu Oy (ownership 6.27%). The management of the Group, members of the Board of Directors and other personnel, including tied agents, owned a total of 31.14 percent of all shares of the Company at the end of the financial period.

Resolutions of the General Meetings

Three General Meetings of Privanet Group Oyj were held during the financial period. In the Annual General Meeting that was held on 27 March 2019, the financial statements and the consolidated financial statements were adopted for the financial period that ended on 31 December 2018. Also, it was decided that no dividends would be paid based on the balance sheet that had been adopted for the financial period, and members of the Board of Directors, as well as the CEO, were discharged from liability. Remuneration to the members of the Board of Directors was decided to be paid until the close of the following AGM so that a member or Chairman of the Board, who works for the Company or a company belonging to the same group, no compensation shall be paid, to a member, who does not work for the Company or a company belonging to the same group, 1500 euros per calendar month shall be paid as compensation, and to a Chairman, who does not work for the Company or a company belonging to the same group, 3000 euros per calendar month shall be paid as compensation. In addition, reasonable costs and travelling expenses caused by the meetings will be recompensed to all members of the Board.

Four members, Timo T. Laitinen, Mika Lehtimäki, Tommi Lindfors and Jonas Lindholm, were elected to the Board of Directors of the Company in the AGM for a term that continues until the close of the following AGM. Auditor's fees were decided to be paid according to the invoice that the Company has approved. The audit firm KPMG Oy Ab was elected to act as the auditor of the Company for a term that continues until the close of the following AGM and asked to comment on the adoption of the financial statements. According to the notice from KPMG Oy Ab, Authorized Public Accountant (KHT) Tapio Raappana will act as the key audit partner. In addition, the AGM authorized the Board to decide on the issuance of a maximum of 1 400 000 shares through a share issue or by issuing options or other special rights entitling to shares in one or more issues.

In the Extraordinary General Meeting that was held on 14 June 2019, the Board of Directors that was elected in the AGM was decided to be supplemented so that the number of members was decided to be five members and Kim Wiio was elected as a new member of the Board until the close of the following AGM. In addition, the EGM authorized the Board to decide on the issuance of a maximum of 6 000 000 shares through a share issue or by issuing options or other special rights entitling to shares in one or more issues. The authorization for a share issue that was given by the EGM holds 1 400 000 shares that had not been issued by the end of the financial period. The authorization replaced all the authorizations that had been given in prior general meetings. In the EGM that was held on 27 November 2019, the Board was authorized to decide on the repurchase of a maximum of 2,000,000 own shares with non-restricted equity, as well as on the transfer of a maximum of 2,000,000 own shares in possession of the company. The minutes from the General Meetings are available in their 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 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 Group CEO, the Group CFO, 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. 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 1.78 million euros for the Group on 31 December 2019. The write-off period of the consolidated goodwill in the financial statements of the Company is ten 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 8.62 million euros, and there are 0.77 million euros worth of intra-group receivables from the subsidiaries (31 December 2019). 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 Securities 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 carries out investment operations by dealing on its 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 sufficient 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

According to the view of the Company's management, the most significant risk in the financial year 2019 has been the investment risk that is involved in the investment activities that the group companies carry out in their own account. The risk was realized with the write-downs that were made in December. The company sees that the balance sheet of the Group does not anymore involve a relevant risk regarding future write-down needs. Failures in the selection of target companies have directly affected the income from investment services also as a result of losses that clients have suffered. To manage the risk regarding target companies, the Group has made strategic changes, with which there has been a shift from the brokerage of companies at the early stage of operations to companies that already have proof of profitable business.

Regarding Lapis group that is one of the target companies, Privanet Capital Markets Ltd delivered in February 2019 responses to the district court concerning actions for damages that were brought against it in October 2018. Privanet Capital Markets Ltd denies the arguments presented in the actions for damages. The court proceedings, as well as the bankruptcy proceedings regarding Lapis group companies, have still not been finished. Regarding other target companies, liquidity problems of Mash Group Oyj and companies that have been financed in Realinvest platform have had some effects in Privanet's business during the financial years. However, direct effects have been minor.

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 result and equity

Privanet Group Plc's result for the financial period that ended on 31 December 2019 was -5 603 506,90 euros and the distributable assets of the parent company were -5 802 235.74 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 2019.

Significant events after the financial period

There were changes in the shareholdings of the largest shareholders of the Company that took place at the end of

January. Nordic Growth Market NGM AB sold its ownership in entirety, as a result of which a shareholders' agreement known to the Company, to which certain prior managers of the company were parties to, terminated in accordance with its terms and conditions. Mash Group Oyj's ownership decreased from 20.13% to 13.22%. Riku Lindström, CEO of the Company; Oy Anti-Invest Ab, a company under his control; and Mikael Westerlund, CFO of the Group, acquired close to seven percent of the shares in the Company and ascended among the ten largest shareholders of the Company.

Future prospects

The Board of Directors has decided to concentrate operations of the group to investment service business carried out in Finland. Hence, business operations carried out under Privanet Securities Ltd's license in Norway will be abandoned and the branch office will be closed. In addition, the Board of Directors has decided to submit an application to delist the Company from the Nordic MTF marketplace operated by Nordic Growth Market AB. Shares of the Company continue to be traded in the Nasdaq First North Growth Market trading venue.

At the end of last year, the Company estimated that the operating result from the year 2020 will be positive. The Company continues to believe that positive operating result from the current business operations is achievable. The Company explores opportunities to expand the offering of investment services in the group to services that increase and support the current business operations, such as asset management. The launching of new business activities may cause non-recurring expenses, because of which the Board of Directors has decided not to give an actual profit guidance for 2020.

Financial reporting

The Company will publish a half-yearly financial report for the period 1 January - 30 June 2020 on Friday, 28 August 2020.

Privanet Group Oyj's financial statements 1.1.-31.12.2019

The key figures

Privanet Group (consolidated)	1-12/2019	1-12/2018	Change
	12 months	12 months	
Income from investment services, 1000 EUR	-1 008	8 292	-112,15 %
Operating profit/loss, 1000 EUR	-10 984	-3 368	226,10 %
share of income from investment services %	1090,21 %	-40,62 %	-2783,79 %
Profit/loss for the accounting period, 1000 EUR	-10 807	-3 382	219,51 %
share of income from investment services %	1072,58 %	-40,79 %	-2729,54 %
Earnings per share, EUR	-0,63	-0,24	163,28 %
Equity per share, EUR	0,26	0,77	-66,32 %
Return on equity (ROE) %	-134,77 %	-23,84 %	465,39 %
Return on assets (ROA) %	-70,34 %	-16,25 %	332,86 %
Equity ratio %	38,38 %	63,07 %	-39,14 %
Cost/income ratio	-9,41	1,25	-854,22 %
Average personnel during the accounting period	32	59	-45,76 %
Number of shares at the end of the accounting period	20 054 317	14 054 317	42,69 %

Privanet Group Plc	1-12/2019	1-12/2018	Change
	12 months	12 months	
Income from investment services, 1000 EUR	-956	5 398	-117,70 %
Operating profit/loss, 1000 EUR	-5 764	-1 133	408,69 %
share of income from investment services %	603,22 %	-20,99 %	-2973,75 %
Profit/loss for the accounting period, 1000 EUR	-5 604	-1 147	388,52 %
share of income from investment services %	586,40 %	-21,25 %	-2859,79 %
Earnings per share, EUR	-0,33	-0,08	302,62 %
Equity per share, EUR	0,57	0,84	-32,73 %
Return on equity (ROE) %	-48,50 %	-8,21 %	490,78 %
Return on assets (ROA) %	-28,90 %	-5,39 %	436,25 %
Equity ratio %	60,04 %	59,17 %	1,47 %
Cost/income ratio	-4,44	0,97	-559,84 %
Average personnel during the accounting period	15	20	-25,00 %
Number of shares at the end of the accounting period	20 054 317	14 054 317	42,69 %

The principles for calculating the key figures

Operating profit, % of the income frominvestment services

$$\frac{\text{Operating profit} \times 100}{\text{Income from investment services}}$$

Profit/loss for the period, % of the income from investment services

$$\frac{\text{Profit/loss for the period} \times 100}{\text{Income from investment services}}$$

Earnings per share, euros

$$\frac{\text{Profit/loss for the period}}{\text{Period's number of shares}}$$

Equity per share, euros

$$\frac{\text{Shareholders' equity at the end of the period}}{\text{Number of shares at the end of the period}}$$

Return on equity (ROE), %

$$\frac{\text{Operating profit/loss – Direct taxes} \times 100}{\text{Average shareholders' equity}}$$

Return on assets (ROA), %

$$\frac{\text{Operating profit/loss – Direct taxes} \times 100}{\text{Average balance sheet total}}$$

Equity ratio, %

$$\frac{\text{Shareholders' equity} \times 100}{\text{Balance sheet total}}$$

Cost/income ratio (before depreciation, amortization and impairment of consolidated goodwill)

$$\frac{\text{Fees and commission expenses + Interest expenses + Administrative expenses + Depreciation, amortization and impairment + Other operating expenses}}{\text{Income from investment services - Minority interests in profit/loss of the period}}$$

Group - Income statement	Group 1.1.-31.12.2019	1.1.-31.12.2018
Fee and commission income	2 259 476,74	3 428 287,85
Net gains from securities and foreign currency transactions	-3 636 207,19	4 464 048,02
Income from equity investments	36 486,47	9 996,78
Interest income	38 644,74	218 453,79
Net income from investment property	131 280,00	84 629,50
Other operating income	162 794,46	86 521,97
INCOME FROM INVESTMENT SERVICES	**-1 007 524,78**	**8 291 937,91**
Fees and commission expenses	-850 470,84	-1 078 099,26
Interest expenses	-326 595,44	-280 696,32
Administrative expenses		
Personnel expenses		
Wages and salaries	-2 294 482,99	-3 892 746,55
Social security expenses		
Pension expenses	-310 907,74	-706 485,73
Other social security expenses	-78 546,27	-93 522,57
Other administrative expenses	-4 515 019,30	-3 198 941,33
Administrative expenses total	-7 198 956,30	-7 891 696,18
Depreciation, amortization and impairment of consolidated goodwill	-338 167,01	-329 407,48
Depreciation, amortization and impairment of tangible and intangible assets	-43 534,90	-41 594,46
Other operating expenses	-656 438,56	-723 862,04
Impairment losses and expected credit losses from other financial assets	-559 304,20	-1 314 932,85
Share of profit in associated companies	-3 119,72	
OPERATING PROFIT (-LOSS)	**-10 984 111,75**	**-3 368 350,68**
Direct taxes	170 060,73	-13 898,98
Minority interests in profit/loss of the period	7 541,07	0
PROFIT (LOSS) FOR THE FINANCIAL PERIOD	**-10 806 509,95**	**-3 382 249,66**

Group - Balance sheet

	Group 31.12.2019	31.12.2018
ASSETS		
Receivables from credit institutions		
Repayable on demand	1 096 624,96	461 105,62
Debt securities	1 351 482,82	465 014,24
Shares and participations	6 133 271,03	12 020 181,07
Shares and participations in associated companies	1 359 315,93	34 118,50
Intangible assets		
Consolidated goodwill	1 781 894,56	2 000 131,72
Other long-term expenses	73 269,79	112 383,91
Tangible assets		
Investment property and shares and participations in investment property	451 843,94	451 843,94
Other property and shares and participations in investment property corporations	296 259,10	296 259,10
Other tangible assets	21 762,37	26 393,15
Other assets	767 284,27	1 164 343,13
Accrued income and prepayments	219 797,03	164 930,74
Deferred tax assets	0	349,26
TOTAL ASSETS	**13 552 805,80**	**17 197 054,38**
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Liabilities to credit institutions	497 552,88	489 330,63
Liabilities to the public and general government	3 617 824,00	4 005 361,11
Other liabiities	3 669 585,13	526 439,62
Accrued expenses and deferred income	565 837,81	1 170 049,83
Deferred tax liabilities	0	160 081,87
TOTAL LIABILITIES	**8 350 799,82**	**6 351 263,06**
SHAREHOLDERS' EQUITY		
Share capital	80 000,00	80 000,00
Unrestricted reserves		
Unrestricted shareholders' invested equity reserve	17 053 958,37	11 892 958,37
Retained earnings/loss	-1 127 167,05	5 503 979,56
Sales and purchases of parent company securities	4 128,22	-16 404,04
Distribution of dividend	0	-3 232 492,91
Translation differences	-2 403,61	0
Profit/loss for the period	-10 806 509,95	-3 382 249,66
TOTAL EQUITY	**5 202 005,98**	**10 845 791,32**
Non-controlling equity interests	0	0
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**13 552 805,80**	**17 197 054,38**

Group - Cash flow statement

	Group 1.1.-31.12.2019	1.1.-31.12.2018
Cash flow from business operations		
Operating profit	-10 984 111,75	-3 368 350,68
Adjustments to operating profit	2 265 453,95	371 001,94
Change in working capital	6 017 047,43	248 844,00
Taxes paid	-6 042,48	-694 977,13
Operating profit	-2 707 652,85	-3 443 481,87
Cash flow from investments		
Investments in tangible and intangible assets	1 556,83	47 350,10
Investments in other investments	-1 710 400,00	-22 437,50
Shares acquired in subsidiaries, net of cash and cash equivalents at the time of acquisition	-105 398,00	0
Shares sold in subsidiaries	371 600,00	0
Cash flow from investments	-1 442 641,17	24 912,60
Cash flow from financing		
Shareholders' equity increases with payment	5 161 000,00	0
Long-term loans raised	2 595 185,14	4 494 692,00
Instalments of long-term loans	-2 974 500,00	-2 993 200,00
Sales and purchases of parent company securities	4 128,22	-16 404,36
Dividends paid and other profit distribution	0	-3 232 492,91
Cash flow from financing	**4 785 813,36**	**-1 747 405,27**
Change in cash and cash equivalents	635 519,34	-5 165 974,54
Cash and cash equivalents on 1 January	461 105,62	5 627 079,82
Cash and cash equivalents on 31 December	**1 096 624,96**	**461 105,62**

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.

Group - Changes in shareholders' equity

	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		**17 533 655**
Purchases of own securities				-679 902		-679 902
Sales of own securities				663 498		663 498
Increase in shareholder's 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		**10 845 791**

	Share capital	Fair value reserve	Unrestricted shareholders' invested equity reserve	Retained earnings	Minority share	Total equity
Equity on 1 January 2019	80 000	0	11 892 958	-1 127 167		**10 845 791**
Purchases of own securities				-1 413 509		-1 413 509
Sales of own securities				1 417 637		1 417 637
Increase in shareholder's equity			5 161 000			5 161 000
Translation difference				-2 404		-2 404
Profit/loss for the period				10 806 510		-10 806 510
Equity on 31 December 2019	80 000		17 053 958	-11 931 952		**5 202 006**

Income statement of the parent company

INCOME STATEMENT	1.1-31.12.2019	1.1.-31.12.2018
Fee and commission income	5 240,00	0
Net gains from securities and foreign currency transactions	-1 939 042,61	3 475 342,25
Income from equity investments	29 266,84	5 958,24
Interest income	30 964,90	185 541,62
Net income from investment property	131 280,00	82 848,00
Other operating income	786 716,06	1 648 610,74
INCOME FROM INVESTMENT SERVICES	**-955 574,81**	**5 398 300,85**
Fees and commission expenses	-653 513,28	-1 330 032,99
Interest expenses	-334 627,76	-279 834,95
Administrative expenses		
Personnel expenses		
Wages and salaries	-946 258,27	-1 161 653,64
Social security expenses		
Pension expenses	-152 270,41	-209 028,94
Other social security expenses	-12 185,19	-25 510,75
Other administrative expenses	-1 766 913,17	-1 855 784,34
Administrative expenses total	-2 877 627,04	-3 251 977,67
Depreciation, amortization and impairment of tangible and intangible assets		
Other operating expenses	-378 606,51	-352 304,25
Impairment losses and expected credit losses from other financial assets	-562 482,28	-1 314 932,85
OPERATING PROFIT (LOSS)	**-5 764 197,47**	**-1 133 136,26**
Direct taxes	160 690,57	-13 898,98
PROFIT (LOSS) FOR THE FINANCIAL PERIOD	**-5 603 506,90**	**-1 147 035,24**

Balance sheet of the parent company

BALANCE SHEET	31.12.2019	31.12.2018
ASSETS		
Receivables from credit institutions		
Repayable on demand	661 098,33	59 176,71
Debt securities	1 351 482,82	365 014,10
Shares and participations	4 912 544,71	9 491 588,26
Shares and participations in associated companies	1 339 633,00	3 333,00
Shares and participations in group companies	8 624 953,96	8 332 180,45
Tangible assets		
Investment property and shares and participations in investment property	233 843,94	233 843,94
Other property and shares and participations in investment property corporations	296 259,10	296 259,10
Other tangible assets	5 297,39	7 063,18
Other assets	1 348 769,86	1 015 613,30
Accrued income and prepayments	99 869,76	95 669,82
TOTAL ASSETS	**18 873 752,87**	**19 899 741,86**
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Liabilities to credit institutions	497 552,88	489 330,63
Liabilities to the public and general government	3 617 824,00	5 209 500,00
Other liabilities	1 810 949,66	498 947,04
Accrued expenses and deferred income	1 615 703,70	1 767 652,79
Deferred tax liabilities	0	160 081,87
TOTAL LIABILITIES	**7 542 030,24**	**8 125 512,33**
SHAREHOLDERS' EQUITY		
Share capital	80 000,00	80 000,00
Unrestricted reserves		
Unrestricted shareholders' invested equity reserve	17 053 958,37	11 892 958,37
Retained earnings/loss	-198 728,84	4 180 799,31
Distribution of dividend	0	-3 232 492,91
Profit/loss for the period	-5 603 506,90	-1 147 035,24
TOTAL EQUITY	**11 331 722,63**	**11 774 229,53**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**18 873 752,87**	**19 899 741,86**

Cash flow statement of the parent company

CASH FLOW STATEMENT	1.1.-31.12.2019	1.1-31.12.2018
Cash flow from business operations		
Operating profit	-5 764 197,47	-1 133 136,26
Depreciation according to plan	1 765,79	2 354,40
Other income and expenses not involving payment	400 000,00	
Change in working capital	4 015 271,86	2 276 811,16
Taxes paid	608,7	-641 386,65
Cash flow from business operations	**-1 346 551,12**	**504 642,65**
Cash flow from investments		
Investments in tangible and intangible assets	0	0
Investments in other investments	0	-3 333,00
Shares sold in subsidiaries	371 600,00	0
Shares acquired in subsidiaries	-2 250 673,51	-3 371 772,45
Liquidation of subsidiary	250 000,00	
Cash flow from investments	**-1 629 073,51**	**-3 375 105,45**
Cash flow from financing		
Shareholders’ equity increases with payment	5 161 000,00	0
Long-term loans raised	2 175 046,25	5 698 830,63
Instalments of long-term loans	-3 758 500,00	-2 960 000,00
Dividends paid and other profit distribution	0	-3 232 492,91
Cash flow from financing	**3 577 546,25**	**-493 662,28**
Change in cash and cash equivalents	**601 921,62**	**-3 364 125,17**
Cash and cash equivalents on 1 January	59 176,71	3 423 301,88
Cash and cash equivalents on 31 December	**661 098,33**	**59 176,71**

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

Drafting principles

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
Noweco Partners Ltd
Noweco Management Ltd
Crowhow Ltd

Associated company Before Holding Oy has been consolidated using the equity method.

Associated companies FundedByMe Finland Oy and Hansdotter Oy and Privanet AS have not been consolidated in the 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.

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

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. In February 2019, the Company acquired companies Noweco Partners Ltd and Noweco Management Ltd to its ownership.

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.

Income statement notes

	Group 1.1.-31.12.2019	Group 1.1.-31.12.2018	Parent 1.1.-31.12.2019	Parent 1.1.-31.12.2018
1. Fee and commission income and expenses				
Fee and commission income				
From securities brokerage	1 912 306,34	1 952 615,90		0
From consulting	347 170,40	1 475 671,95	5 240,00	0
Total	**2 259 476,74**	**3 428 287,85**	**5 240,00**	**0**
Fees and commission expenses				
From securities brokerage	-850 470,84	-1 078 099,26	-653 513,28	-1 330 032,99
2. Net gains from securities and foreign currency transactions				
From disposal of financial assets	1 693 889,80	5 162 917,22	1 814 606,70	4 174 211,45
Impairment losses	-5 330 096,96	-698 869,20	-3 753 649,31	-698 869,20
Total	**-3 636 207,19**	**4 464 048,02**	**-1 939 042,61**	**3 475 342,25**
3. Income from equity investments				
From financial assets available-for-sale	9 517,00		9 517,00	
Dividend income	26 969,47	9 996,78	19 749,84	5 958,24
4. Interest income and expenses				
Interest income				
Interest income from debt securities	11 725,00	161 742,54	4 500,00	129 279,88
Other interest income	0	0	21 768,92	
Interest income from loan receivables	26 919,74	56 711,25	4 695,98	56 261,74
Total	**38 644,74**	**218 453,79**	**30 964,90**	**185 541,62**
Interest expenses				
Interest expenses from bonds	220 780,69	265 126,47	246 530,69	265 126,47
Interest expenses from financing company loans	6 851,10	171,49	6 410,12	0
Other interest expenses	98 963,65	15 398,36	81 686,95	14 708,48
Total	**326 595,44**	**280 696,32**	**334 627,76**	**279 834,95**
5. Other business income				
Other business income				
Parent company management fee income	0	0	732 923,66	1 615 269,77
Other income	162 794,46	86 521,97	53 792,40	33 340,97
Total	**162 794,46**	**86 521,97**	**786 716,06**	**1 648 610,74**
6. Other business expenses				
Rental payments	509 627,17	466 462,19	309 234,27	239 921,53
Supervisory expenses	19 953,07	36 464,15	4 376,84	4 435,96
Other expenses	126 858,32	220 935,70	64 995,40	107 946,76
Total	**656 438,56**	**723 862,04**	**378 606,51**	**352 304,25**

	Group 1.1.-31.12.2019	Group 1.1.-31.12.2018	Parent 1.1.-31.12.2019	Parent 1.1.-31.12.2018
7. Depreciation, amortization and impairment of tangible and intangible assets				
Depreciation according to plan				
Depreciation on development expenses	39 114,12	34 739,06	0	0
Depreciation on other long-term expenses	0	891	0	0
Depreciation on hardware and equipment	4 420,78	5 964,40	1 765,79	2 354,40
Total	**43 534,90**	**41 594,46**	**1 765,79**	**2 354,40**
8. Impairment losses from other financial assets				
Bonues issue		0	0	0
Reduction in value of investments held as noncurrent assets			3 178,08	
Share write-offs	559 304,20	1 314 932,85	559 304,20	1 314 932,85
Total	**559 304,20**	**1 314 932,85**	**562 482,28**	**1 314 932,85**
9. Direct taxes				
Advance taxes	0	433 979,71	0	433 979,71
Scheduled tax for the financial period	-16 021,34	-433 380,71	0	-433 380,71
Tax returns / residual taxes	6 042,48	13 299,98	-608,7	13 299,98
Deferred taxes	-160 081,87	0	-160 081,87	
Total	**-170 060,73**	**13 898,98**	**-160 690,57**	**13 898,98**
10. Appropriations				
Received intra-group contributions	0	0	0	0
Total	**0**	**0**	**0**	**0**
Minority interests in profit/loss of the period	-7 541,07	0	0	0

Balance sheet notes	Group 2019	Group 2018	Parent 2019	Parent 2018
11. Receivables from credit institutions				
Payable on demand				
From domestic credit institutions	1 096 624,96	461 105,62	661 098,33	59 176,71
12. Receivables from the public and general government				
Households		0		0
13. Debt securities				
Available for sale				
Debt securities Privanet Group bond				
Other debt securities	1 351 482,82	465 014,10	1 351 482,82	365 014,10

	2019 Group		**2019 Parent**	
	Book value	Fair value	Book value	Fair value
Privanet Group Plc 1/2017 5.0% *	909 000,00	915 000,00	909 000,00	915 000,00
Privanet Group Plc 1/2019 7.0% *	1 169 005,00	1 172 000,00	1 169 005,00	1 172 000,00
Zsar Oy 1/2018	1 351 482,82	1 351 482,82	1 351 482,82	1 351 482,82
Total	**3 429 487,82**	**3 438 482,82**	**3 429 487,82**	**3 438 482,82**

* Bonds in possession of the Company have been eliminated in the balance sheet

14. Shares and participations	Group **31.12.2019**	**31.12.2018**	Parent **31.12.2019**	**31.12.2018**
Held for trading				
Publicly quoted	0	0	0	0
Other	6 133 271,03	12 020 181,07	4 912 554,71	9 491 588,26
Fair value reserve	0	0	0	0
Total	**6 133 271,03**	**12 020 181,07**	**4 912 554,71**	**9 491 588,26**
15. Shares and participations in associated companies				
Other shares in associated companies	1 359 315,93	34 118,50	1 339 633,00	3 333,00
16. Shares and participations in group companies				
Subsidiary company shares	0	0	8 624 953,96	8 332 180,45
17. Intangible assets				
Goodwill	1 781 894,56	2 000 131,72	0	0
Other intangible assets				
Other long-term expenses	0	0	0	0
Improvement costs of a condominium unit	0	0	0	0
Development costs	73 269,79	112 383,91	0	0
Total	73 269,79	112 383,91	0	0
Total	**1 855 164,35**	**2 112 515,63**	**0**	**0**

	Group		Parent	
	31.12.2019	**31.12.2018**	**31.12.2019**	**31.12.2018**
18. Tangible assets				
Shares and participations in investment properties	451 843,94	451 843,94	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	21 762,37	26 393,15	5 297,39	7 063,18
Total	**769 865,41**	**774 496,19**	**535 400,43**	**537 166,22**

19. Changes in intangible and tangible assets during the financial period

Intangible assets				
Book value on 1 January	112 383,91	121 924,07	0	0
+ additions in the financial period	0	35 000,00	0	0
- depreciations according to plan in the financial period	-39 114,00	-44 540,16	0	0
Book value on 31 December	73 269,91	112 383,91	0	0
Consolidated goodwill				
Book value on 1 January	2 000 131,72	2 329 539,20	0	0
+ additions in the financial period	121 276,68	0	0	0
- deductions in the financial period	0	0	0	0
- depreciations according to plan in the financial period	-339 513,84	-329 407,48	0	0
Book value on 31 December	1 781 894,56	2 000 131,72	0	0
Tangible assets				
Book value on 1 January	774 496,19	853 900,59	537 166,22	539 520,62
+ additions in the financial period	0	0	0	0
- deductions in the financial period	-210	0	0	0
- depreciations according to plan in the financial period	-4 420,78	-79 404,40	-1 765,79	-2 354,40
Book value on 31 December	769 865,41	774 496,19	535 400,43	537 166,22

20. Other assets

Collaterals paid	0	29 999,85	0	0
Sales receivables	279 554,54	592 060,71	172 180,00	147 892,17
Intra-group receivables	0	0	765 280,91	356 472,51
Loan receivables	411 308,95	411 248,62	411 308,95	411 248,62
Other receivables	76 420,78	131 033,95	0	100 000,00
Total	**767 284,27**	**1 164 343,13**	**1 348 769,86**	**1 015 613,30**

21. Accrued income and prepayments

Rental deposit receivables	84 492,69	90 677,41	64 541,57	64 541,57
Interest receivables	35 327,50	14 365,07	35 327,50	14 365,07
Tax receivables	0	589,41	0	589,41
Other accrued income and prepayments	99 976,84	59 298,85	0,69	16 173,77
Total	**219 797,03**	**164 930,74**	**99 869,76**	**95 669,82**

22. Deferred tax assets

Deferred tax assets	0	349,26	0	0

	Group		Parent	
	31.12.2019	**31.12.2018**	**31.12.2019**	**31.12.2018**
23. Liabilities to credit institutions	497 552,88	489 330,63	497 552,88	489 330,63

Privanet Group Plc has a limit loan of 500 000 euros, of which 497 552.88 euros has been taken out.

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

24. Liabilities to the public and general government

Privanet Group Plc has a loan of 676 324.00 euros that is related to the Business Finland project.

Privanet Group Plc 1/2017 bond	1 151 000,00	730 861,11	1 151 000,00	1 935 000,00
Subscription period: 23.10.2017				
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	909 000,00	65 000,00	909 000,00	65 000,00
Privanet Group Oyj 1/2019 bond	1 790 500,00	0	1 790 500,00	0
Subscription period: 22.5-19.6.2019				
Maturity: 1 year				
Interest: 7 % 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	1 169 005,00	0	1 169 005,00	0

25. Other liabilities

Accounts payable	455 706,27	400 292,20	76 150,12	210 152,42
Liabilities to companies in the same group	0	0	54 522,16	253 847,68
Other liabilities	3 213 878,86	126 147,42	1 680 277,38	34 946,94
Total	**3 669 585,13**	**526 439,62**	**1 810 949,66**	**498 947,04**

26. Accrued expenses and deferred income

Interest liabilities	38 729,16	33 185,78	38 729,16	33 185,78
Tax liabilities	10 772,52	4 655,00	0	0
Intra-group accrued expenses	0	0	1 482 537,36	1 504 315,00
Other accrued expenses	516 336,13	1 132 209,05	94 437,18	230 152,01
Total	**565 837,81**	**1 170 049,83**	**1 615 703,70**	**1 767 652,79**

27. Deferred tax liabilities

Tax liabilities at fair value	0	160 081,87	0	160 081,87

28. Maturity distribution of financial assets and liabilities

	Group	Maturity	Parent	Maturity
Receivables from credit institutions	1 096 624,96	alle 3 kk	661 098,33	alle 3 kk
Receivables from the public and general goverment	0	alle 3 kk	0	alle 3 kk
Debt securities	1 351 482,82	3-12 kk	1 351 482,82	3-12 kk
Debts to credit institutions	497 552,88	1-5 vuotta	497 552,88	1-5 vuotta
Debts to the public and general government	3 617 824,00	1-5 vuotta	3 617 824,00	1-5 vuotta

29. Fair values and book values of financial assets and liabilities and fair value hierarchy

	Group	Group	Parent	Parent
	Acquisition cost	**Fair value**	**Acquisition cost**	**Fair value**
Financial assets				
Receivables from credit institutions	1 096 624,96	1 096 624,96	661 098,33	661 098,33
Receivables from the public and general government	0	0	0	0
Debt securities	1 351 482,82	1 351 482,82	1 351 482,82	1 351 482,82
Shares and participations	10 323 227,73	6 133 271,03	7 509 998,65	4 912 544,71
Shares and participations				
in group companies	0	0	8 624 953,96	8 624 953,96
Financial liabilities				
Liabilities to credit institutions	497 552,88	497 552,88	497 552,88	497 552,88
Liabilities to the public and general government	3 617 824,00	3 617 824,00	3 617 824,00	3 617 824,00

		Group		
Financial assets measured at fair value	**Level 1**	**Level 2**	**Level 3**	**Total**
Debt securities	0	1 351 483,00	0	1 351 483,00
Shares and participations	0	2 601 697,00	3 646 095,57	6 247 792,57
Total	0	3 953 180,00	3 646 095,57	7 599 275,57

30. Information on the Company’s shares

The Company has one class of shares

Number of shares on 1 January 2019: 14 054 317

Number of shares on 31 December 2019: 20 054 317

Change during the financial period: 6 000 000

31. Items of the shareholders’ equity	Group **2019**	Group **2018**	Parent **2019**	Parent **2018**
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	0	638 930,41	0	640 327,46
Additions	0	0	0	0

Deductions	0	-638 930,41	0	-640 327,46
Book value at the end of the financial period	0	0	0	0
Total restricted equity	80 000,00	80 000,00	80 000,00	80 000,00

	Group	Group	Parent	Parent
	2019	**2018**	**2019**	**2018**
Unrestricted equity				
Reserve for invested unrestricted equity				
Book value at the beginning of the financial period	11 892 958,37	11 892 958,37	11 892 958,37	11 892 958,37
Additions	5 161 000,00	0	5 161 000,00	0
Book value at the end of the financial period	17 053 958,37	11 892 958,37	17 053 958,37	11 892 958,37
Retained earnings				
Profit for the previous financial periods	-1 127 167,05	4 921 766,56	-198 728,84	3 540 471,85
Sales of parent company shares	1 417 637,20	663 497,64	0	0
Purchases of parent company shares	-1 413 508,98	-679 901,68	0	0
Adjustment to previous financial periods		582 213,00	0	640 327,46
Distribution of dividends	0	-3 232 492,91	0	-3 232 492,91
Translation differences	-2 403,61			
Book value at the end of the financial period	-1 125 442,44	2 255 082,61	-198 728,84	948 306,40
Profit for the financial period	-10 806 509,95	-3 382 249,66	-5 603 506,90	-1 147 035,24
Minority interests	0	0	0	0
Total unrestricted equity	5 122 005,98	10 765 791,32	11 251 722,63	11 694 229,53
Total equity	5 202 005,98	10 845 791,32	11 331 722,63	11 774 229,53
Distributable assets	-11 931 952,39	-1 127 167,05	-5 802 235,74	-198 728,84

32. Largest shareholders and the distribution of ownership

The information is based on the shareholders' register on 31 December 2019

Name	Sector	%
Mininvest Oy	Private domestic companies	29
Mash Group Oyj	Private domestic companies	20
Finactu Oy	Private domestic companies	6
Pennin Hevonen Oy	Private domestic companies	5
Danske Bank A/S Hki Branch	Nominee-registered	3
Aava Capital Oy	Private domestic companies	2

Notes on collateral, contingent liabilities and commitments

Pension liabilities

Personnel retirement plan prescribed by law is arranged by insurance.

Other liabilities	Group 2019	Group 2018	Parent 2019	Parent 2018
Rental deposits and liabilities	413 716,83	672 048,00	333 323,24	531 148,00
Rental deposits	84 492,87	90 243,00	64 541,57	58 574,00
Rental liabilities				
Less than 5 years	329 223,96	581 805,00	268 781,67	472 574,00
More than 5 years	0	0	0	0
Leasing liabilities	10 810,70	62 043,00	10 810,70	35 667,00
Pledges and guarantees	1 550 070,00	0	0	0
Other liabilities			0	0
Total	**1 974 597,53**	**734 091,00**	**344 133,94**	**566 815,00**

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

Privanet Group Plc's shares 17703-18349 in As Oy Helsingin Iso Rooberinkatu 28 have been pledged as general security to Nordea.

Privanet Capital Markets Ltd's property called Korpi-Antti that is located in Rukajärvi village in Kuusamo has also been pledged as general security to Nordea.

Intermediation receivables and liabilities				
Financial liabilities, client assets	336 293,20	2 326 940,90	0	0

Notes on personnel and management Personnel	Group 2019	Group 2018	Parent 2019	Parent 2018
Average number of personnel working for the Group				
During the financial period				
Full-time	32	55	15	18
Part-time	0	4	0	2
Total	**32**	**59**	**15**	**20**
Change from the previous year				
Full-time	-23	13	-3	7
Part-time	-4	-2	-2	0
Total	**-27**	**11**	**-5**	**7**

Salaries and remunerations of the management	Group 2019	Group 2018	Parent 2019	Parent 2018
CEOs	559 908,69	707 515,48	210 763,96	194 900,00
Members of the Board of Directors	99 600,00	212 344,64	81 000,00	66 000,00

Management retirement plan is arranged by insurance prescribed by law

	Group	Group	Parent	Parent
	2019	**2018**	**2019**	**2018**
Auditor's fee				
Audit	100 546,60	86 300,23	60 455,60	86 300,23
Tax consultation	744	0	744	0
Other services	10 602,00	0	10 602,00	0
Total	**111 892,60**	**86 300,23**	**71 801,60**	**86 300,23**

Ownership in other companies

Name	**Domicile**	**Number of shares**	**Ownership, Group**	**Ownership, Parent**
Privanet Capital Markets Ltd	Helsinki	1 080 068	100 %	100 %
Privanet Securities Ltd	Helsinki	951 906	100 %	100 %
Before Holding Oy	Helsinki	13 388	49,63 %	49,63 %
Crowhow Oy	Helsinki	250 000	100 %	100 %
Noweco Management Oy	Helsinki	6	100 %	0 %
Noweco Partners Oy	Helsinki	46 500	100 %	100 %

Information on unconsolidated associated companies in the consolidated financial statements

Name	FundedbyMe Finland Oy	Domicile	Helsinki
Ownership	33,4 % (Privanet Securities Ltd)		
Profit / loss for the period	1 353,41		
Equity on 31 December 2019	-96 439,46		

Name	Hansdotter Oy	Domicile	Turku
Ownership	33,3 % (Privanet Group Plc)		
Profit / loss for the period	11 961,44		
Equity on 31 December 2019	79 789,14		

Name	Privanet AS	Domicile	Bergen
Ownership	50,0 % (Privanet Securities Ltd)		
Profit / loss for the period	-13 907,10		
Equity on 31 December 2019	-14 044,50		

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 control or significant influence 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.

The Company, as well as Privanet Securities Ltd, had a marketing agreement during the financial period with Hansdotter Oy that is an associated company of which the Company owns 33.33%. Privanet Capital Markets Ltd had cooperation agreements with Mash Group Oyj, that has significant influence over the Company, and Siltaraha Oy, of which the Company owned 26.28% at the end of the financial period. According to the agreements, Privanet Capital Markets Ltd was marketing shares and debt instruments, that the companies had issued, to investors. The group companies had a joint shareholding in Siltaraha of 40.21% (40.71% at the beginning of the financial period). In addition, the Company has granted Siltaraha a credit limit, based on which there were no receivables at the end of the financial period. Privanet Securities Ltd also has a service agreement with FundedByMe Finland Oy, of which it owns 33.4%. In addition, the Company has acquired subcontracting services regarding IT projects from 3D Group Oy and SRC Group Oy that are companies under control of Lauri Koutaniemi and Svante Rouhiainen, members of the Board of Directors of Crowhow Ltd.

The Company made 1 707 900 euros of share investments during the reporting period in Before Holding Oy, of which it owned 49.63% at the end of the period. Privanet Securities Ltd made debt investments of 126 500 euros in Privanet AS, of which it owns 50%.

In addition, the Company and Privanet Capital Markets Ltd have carried out transactions in financial instruments with related parties of the Company. Transactions 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.

Total amounts of the related party transactions are presented in the table below. Regarding financial instruments, the information on 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 on the table, Privanet Securities Ltd has executed or transmitted orders from the related parties worth 3 561 064 euros during the financial period. 248 521 euros of commissions have been charged regarding the transactions.

	PRIVANET GROUP PLC		OTHER GROUP COMPANIES	
	1.1.–31.12.2019	1.1.–31.12.2018	1.1.–31.12.2019	1.1.–31.12.2018
Share/bond sales	5 280 251[1]	104 107	2 321 017[3]	370 447[5]
Share/bond purchases	1 592 601[2]	1 244 121	5 165 857[4]	2 167 498[6]
Paid tied agent fees	-	-	-	23 478
Paid consulting fees	125 365	9 821	94 663	428 285
Received consulting/licensing rewards	-	-	158 556	312 349
Loan receivables per 31.12.	200 000	300 000	131 963	-
Sales receivables and accrued income per 31.12.	20 482	9 078	120 757	127 020
Liabilities per 31.12.	21 703	70 000	3 720	-

1) Includes 2 398 010€ of shares sold to Before Holding Oy, of which 1 668 707€ consists of subscribing shares of Before Holding Oy with assets in kind, 1 262 000€ of the Company's own bond sold to Mininvest Ltd and Mash Services Oyj, as well as 1 559 935€ of other bonds sold to Mininvest Ltd.
2) Includes 1 495 601€ of bonds purchased from Mininvest Ltd.
3) Includes 156 728€ of securities sold to Before Holding Oy and 2 164 289€ of bonds sold to Mash Group Oyj.
4) Includes 5 165 857€ of bonds purchased from Mash Group Oyj.
5) Includes 370 447€ of bonds sold to Mash Group Oyj.
6) Includes 1 203 314€ of bonds purchased from Mash Group Oyj

The group has no other than the aforementioned related party transactions during the financial period.

Notes regarding the solvency of Privanet Group Plc (Pillar III)

Common Equity Tier 1 capital (CET1): Instruments and reserves		**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 remainder stipulated in the regulation are applied**
1	Capital instruments and the related share premium	80 000	26 (1), 27, 28, 29, EBA list 26 (3)	
2	Retained earnings	-1 123 039	26 (1) (c)	
3	Accumulated other comprehensive income (and other reserves, to include unrealized gains and losses under the applicable accounting standards)	17 051 555	26 (1)	
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	-10 806 510	26 (2)	
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments:	5 202 006		
Common Equity Tier 1 (CET1): regulatory adjustments				
8	Intangible assets (net of related tax liability) (negative amount)	-1 855 164	36 (1) (b), 37, 472 (4)	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)		36 (1) (c), 38, 472 (5)	
28	Total regulatory adjustments to Common equity Tier 1 (CET1)	-1 855 164		
29	Common Equity Tier 1 (CET1)	3 346 842		
Additional Tier 1 (AT1): instruments				
36	Additional Tier 1 (AT1) capital before regulatory adjustments:	0		
Additional Tier 1 (AT1): regulatory adjustments				
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	0		
45	Tier 1 capital (T1=CET1+AT1)	3 346 842		

Tier 2 (T2) capital: instruments and provisions				
51	Tier 2 (T2) before regulatory adjustments	0		
Tier 2 (T2) capital: regulatory adjustments				
57	Total regulatory adjustments to Tier 2 (T2) capital	0		
59	Total capital (T1 + T2 = TC)	3 346 842		
60	Total risk weighted assets	38 630 419		
Capital ratios and buffers				
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	8,66 %	92 (2) (a), 465	
62	Tier 1 (as a percentage of risk exposure amount)	8,66 %	92 (2) (b), 465	
63	Total capital (as a percentage of risk exposure amount)	8,66 %	92 (2) (c)	

Capital instruments' main features template (1 000€)		Common Equity Tier 1 (CET1) Share capital series A
1	Issuer	Privanet Group Plc
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 1
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
	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

Privanet Group Oyj

Tilinpäätöksen allekirjoitukset

Helsingissä 28. Helmikuuta 2020

Timo T. Laitinen
Hallituksen puheenjohtaja

Mika Lehtimäki

Tommi Lindfors

Jonas Lindholm

Kim Wiio

Riku Lindström
Toimitusjoohtaja

Tilinpäätösmerkintä

Suoritetusta tarkastuksesta on tänään annettu kertomus

Helsingissä 28. Helmikuuta 2019

KPMG Oy Ab
tilintarkastusyhteisö

Tapio Raappana
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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, 2019. 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 prepared for the Group and the parent company, indicating a decline in the financial performance. The equity ratio and the balance sheet position have also declined. 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

Privanet Group Oyj
Auditor's Report
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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, 28th February 2020

KPMG OY AB

TAPIO RAAPPANA
Authorised Public Accountant, KHT