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Privanet Group Oyj

ANNOUNCEMENT

28 February 2019, 9:00 am.

Privanet Group Oyj's financial statement release 2018 – a difficult year behind

Financial statement and report of activities from the financial period 1 January 2018 – 31 December 2018 briefly:

- Turnover of the group, i.e. income from investment services, was 8.29 million euros (13.97 million euros 1-12/2017), decreasing 40.65 percent
- Operating result of the group was -3.37 million euros (4.80 million euros), decreasing 170.22 percent
- Earnings per share were -0.24 euros (0.27 euros), decreasing 189.77 percent
- Operations of Privanet Securities Ltd's Norwegian branch started during the financial period
- The Board of Directors proposes to the Annual General Meeting that no dividends will be paid based on the balance sheet that has been adopted for the financial period that ended on 31 December 2018

Key figures (figures have been audited and are presented more thoroughly in the attachment of this release):

Privanet Group (consolidated)	1-12/2018 12 months	1-12/2017 12 months	Change	7-12/2018 6 months	7-12/2017 6 months	Change
Turnover, 1000 EUR	8 292	13 971	-40.65 %	4 042	7 877	-48.69 %
Operating profit/loss, 1000 EUR	-3 368	4 797	-170.22 %	-1 645	2 471	-166.56 %
- share of turnover %	-40.62 %	34.34 %	-74.96	-40.70 %	31.37 %	-72.07
Profit/loss for the period, 1000 EUR	-3 382	3 768	-189.77 %	-1 652	2 266	-172.93 %
- share of turnover %	-40.79 %	26.97 %	-67.76	-40.89 %	28.76 %	-69.65
Earnings per share, EUR	-0.24	0.27	-189.77 %	-0.12	0.16	-172.93 %
Book value of equity per share, EUR	0.77	1.25	-38.14 %	0.77	1.25	-38.14 %
Return on equity (ROE) %	-23.84 %	25.21 %	-49.05	-14.12 %	13.13 %	-27.24
Return on assets (ROA) %	-16.25 %	18.36 %	-34.61	-8.78 %	8.80 %	-17.58
Equity ratio %	63.07 %	71.79 %	-8.72	63.07 %	71.79 %	-8.72
Cost/income -ratio	1.25	0.66	90.00 %	1.08	0.66	64.91 %
Average personnel during the period	59	48	22.92 %	59	51	15.69 %
Shares at the end of the period	14 054 317	14 054 317	0	14 054 317	14 054 317	0

Chief Executive Officer Karri Salmi

“When I look in the rearview mirror towards the past year, I can rather straightforwardly state that creating added value for our shareholders, which is at the core of our strategy, has not materialized at all. Our share price has decreased about 76 percent during 2018, and our financial performance has weakened. Undoubtedly the largest factor that explains the decreasing of turnover have been

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the accusations targeted at the Company that relate to the bankruptcies of companies that belong to the Lapis group and the reputational risk, write-offs on securities, and sales-related challenges that have occurred because of them. At the beginning of the year, there was also a problem of sales being focused on investments that had low margins for the earning of the Company, and at the end of the year the general market turbulence made investors more reserved.

The situation of the Company has been responded to by planning a new strategy and by preparing significant cost-cutting measures. The expenses of the group are aimed to be halved, and the business operations are changed towards operations that create continuous cash flow. The subsidiary of the group that is responsible for the sales of the group, Privanet Capital Markets Ltd, has been completely reorganized and the business model has been sharpened.

There were also positive matters that took place in Privanet in 2018. At the end of the year we got to launch the Norwegian branch office, and the first crowdfunding round was successful as well. In connection with the opening, a collaboration arrangement with the Oslo stock exchange was also launched relating to the secondary market for unlisted shares in Norway. In Slush, a development project was published, in which the trading and shareholder management of unlisted shares are digitalized through blockchain technology. Blockchain technology has been one of the most-discussed matters in finance technology, and this joint project has aroused significant interest outside Finland as well.

Privanet's reputation has been damaged because of business operations that have been carried out in the past. In this situation, it is very important to create an image of what we do today in Privanet for our current and future clients, as well as companies that seek funding. Our job is to search the most interesting growth company stories in Finland, enable the realization of the dreams of the companies together with our clients, as well as to enable excellent profit opportunities for our investors' capital."

Business operations of Privanet Group during the financial period

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

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

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of the financial assets were 1.31 million euros altogether. The operating profit therefore decreased to -3.37 million euros.

In 2018, a substantial amount of funding was again raised for Finnish growth companies. On the AROUND platform, a total of 14 million euros of funding was raised. During the two and a half years of operating, approximately 52 million euros of funding have already been raised on the platform. Also, the Realinvest service has continued its strong growth. In 2018, already more than five million euros of funding was raised on the platform. The service has been developed along the year, and the most prominent development project has been the allocator that is ready to be used in the service at the beginning of 2019. Other than crowdfunding emissions were carried out a total of 53 million euros, and the trading volume in Privanet's secondary marketplace was short of 11 million euros.

The operations of the branch office that Privanet Securities Ltd has established in Norway begun during the financial period. The branch office provides investment services on the AROUND crowdfunding platform, whose Norwegian version is used to arrange financing rounds for Norwegian growth companies. In Finland, new offices were opened in Hämeenlinna and Äänekoski.

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

The most significant investments of the Company during the financial period 2018 have been targeted at the development of Crowhow and Realinvest services. Crowhow is an online service that collects together investors that are interested in unlisted companies and growth companies that look for crowdfunding. The purpose of the service is to display open campaigns in all European crowdfunding platforms, and thus gather a large number of visitor investors. The development of the Realinvest service, that is focused on the loan-based crowdfunding for real estate and infrastructure projects, has during the year focused on, among others, the administration of loan agreements and the development of the allocator and the secondary market for the loan agreements.

Share and shareholders

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

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

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Proposal of the Board of Directors for measures regarding the Company's result and equity

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

Significant events after the financial period

In January 2019, there were co-operation negotiations in the group that affected the personnel of the parent company Privanet Group and the subsidiary company Privanet Capital Markets. As a result of the negotiations, Privanet Group terminated three employment relationships and Capital Markets 24 employment relationships. In Privanet Group's organization the reductions resulted from the outsourcing and combining of duties that were carried out particularly in financial administration, marketing and information technology functions. In Capital Markets' organization the reductions resulted from outsourcing the sales function. Sales personnel was offered an opportunity to continue operating on behalf of the group through their own companies as tied agents. After the negotiations, Capital Markets started discussions regarding new tied agent contracts.

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

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

Future prospects

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

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

Due to the major Company changes that have taken place, the Company does not give a guidance regarding turnover for the financial year 2019. The Company aims at turning its business operations

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profitable during the financial year based on the arrangements that will cut expenses and are already agreed on.

Publishing of the financial statements and the Annual General Meeting

Financial statements and the report of activities of Privanet Group regarding the year 2018 will be published on 6 March 2019 on the address <http://www.privanetgroup.fi/investors/financial-information/>.

The Annual General Meeting of Privanet Group Oyj will be held on Wednesday, 27 March 2019, at noon. The location of the meeting will be the Jura event room at Kasarmin Salit, Kasarminkatu 21 B, Helsinki. The invitation and instructions for registration for the Annual General Meeting will be published on 6 March 2019 at the latest.

Financial communication

A webinar intended for the media, investors and analysts will be organized on Thursday, 28 February 2019, at 11:00 am. The CEO Karri Salmi and the CFO Johanna Hurskainen will present the financial and operational results of the reporting period, after which the participants may ask questions. The webinar will be organized in Finnish. The presentation can be followed on the Internet as a live broadcast on the address: <https://register.gotowebinar.com/register/68498184746774466>.

Following of the webinar broadcast requires signing up and downloading the GoToWebinar application (download possibility after the sign-up). The presentation material and a recording will be available after the webinar on the address <http://www.privanetgroup.fi/sijoittajat/osavuositiedot-ja-vuosikertomus/>.

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

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Privanet Group briefly

Privanet Group Oyj is the parent company in a Finnish investment group. The group includes Privanet Capital Markets Ltd which focuses on capital arrangements, and Privanet Securities Ltd which operates Finland's leading secondary market for trading securities of unlisted companies. Privanet Group's main function is to bring together companies in need of funding and investors. Privanet Group serves about 17 000 customers in Finland and has offices in 13 Finnish cities. The

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customer base consists of private persons, companies and institutional investors. privanet.fi,
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