

# PRIVANET

## ATTACHMENT TO PRIVANET GROUP OYJ'S HALF-YEARLY REPORT 2019

### The key figures of the group\*

\*Regarding figures that include the number of shares, also those shares have been taken into account that were registered on 4 July 2019 and have been paid in the end of the reporting period.

Privanet Group (consolidated)	1-6/2019 6 months	1-6/2018 6 months	Change	1-12/2018 12 months
Turnover, 1000 EUR	2 689	4 250	-36.74 %	8 292
Operating profit/loss, 1000 EUR	-1 134	-1 723	34.22 %	-3 368
- share of turnover %	-42.16 %	-40.55 %	-1.61	-40.62%
-excluding unrealized changes in value, 1000 EUR	-1 974	-1 459	-35.29 %	-3 899
Profit/loss of the reporting period, 1000 EUR	-1 126	-1 730	34.91 %	-3 382
- share of turnover %	-41.88 %	-40.70 %	-1.18	-40.79%
Earnings per share, EUR	-0.06	-0.12	54.38 %	-0.24
Book value of equity per share, EUR	0.81	0.89	-9.71 %	0.77
Return on equity (ROE) %	-8.37 %	-11.49 %	3.12	-23.84
Return on assets (ROA) %	-5.58 %	-7,71 %	2.14	-16.25%
Equity ratio %	69.27 %	61.51 %	7.76	63.07%
Cost/income ratio %	1.42	1.41	1.35 %	1.25
Average personnel during the reporting period	32	58	-44.83 %	59
Number of shares at the end of the reporting period	20 054 317	14 054 317	6 000 000	14 054 317

### THE PRINCIPLES FOR CALCULATING THE KEY FIGURES

#### Operating profit, % of the investment service income

Operating profit x 100

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Income from investment services

#### Operating profit/loss excluding unrealized changes in value

Operating profit - unrealized changes in value

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

Profit for the period x 100

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Income from investment services

#### Book value of equity per share, euros

Shareholders' equity at the end of the period

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Period's number of shares

#### Earnings per share, euros

Profit/loss for the period

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Period's number of shares

#### Return on equity, %

Operating profit/loss - direct taxes x 100

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Average shareholders' equity

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## Return on assets, %

Operating profit/loss - direct taxes x 100

Average balance sheet total

## Equity ratio, %

Shareholders' equity x 100

Balance sheet total

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

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

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

## CONSOLIDATED INCOME STATEMENT

	1-6/2019 6 months	1-6/2018 6 months	1-12/2018 12 months
Fee and commission income	1 087 699	1 925 804	3 428 288
Net gains from securities and foreign currency transactions*	1 455 381	2 185 177	4 464 048
Income from equity investments	11 218	6 212	9 997
Interest income	16 808	98 994	218 454
Net income from investment property	61 080	14 430	84 630
Other operating income	56 474	19 650	86 522
<b>INCOME FROM INVESTMENT SERVICES</b>	<b>2 688 660</b>	<b>4 250 266</b>	<b>8 291 938</b>
Fees and commission expenses	-363 581	-683 245	-1 078 099
Interest expenses	-135 764	-139 675	-280 696
Administrative expenses			
Personnel expenses			
Wages and salaries	-1 106 323	-1 994 674	-3 789 274
Social security expenses			
Pension expenses	-189 426	-353 404	-706 486
Other social security expenses	-70 195	-51 622	-93 523
Other administrative expenses	-1 444 595	-1 721 493	-3 198 941
Administrative expenses total	-2 810 538	-4 121 193	-7 891 696
Depreciation, amortization and impairment of consolidated goodwill	-168 746	-164 704	-329 407
Depreciation, amortization and impairment of tangible and intangible assets	-21 773	-19 055	-41 594
Other operating expenses	-321 856	-352 842	-723 862
Impairment losses and expected credit losses from other financial assets	0	-492 917	-1 314 933
<b>OPERATING PROFIT/LOSS</b>	<b>-1 133 598</b>	<b>-1 723 365</b>	<b>-3 368 351</b>
Direct taxes	2 233	-6 391	-13 899
Minority interests in profit/loss of the period	5 455	0	0
<b>PROFIT/LOSS FOR THE FINANCIAL PERIOD</b>	<b>-1 125 910</b>	<b>-1 729 756</b>	<b>-3 382 250</b>

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## CONSOLIDATED BALANCE SHEET

	30 June 2019	30 June 2018	31 December 2018
<b>ASSETS</b>			
Receivables from credit institutions			
Repayable on demand	527 920	1 455 360	461 106
Debt securities	465 715	2 484 419	465 014
Shares and participations	17 790 569	8 906 936	12 020 181
Shares and participations in associated companies	31 619	15 641	34 119
Intangible assets			
Consolidated goodwill	1 951 315	2 164 835	2 000 132
Other long-term expenses	92 827	96 941	112 384
Tangible assets			
Investment property and shares and participations in investment property	451 844	451 844	451 844
Other property and shares and participations in investment property corporations	296 259	296 259	296 259
Other tangible assets	23 968	29 375	26 393
Other assets	1 394 818	3 903 672	1 164 343
Accrued income and prepayments	342 221	622 226	164 931
Deferred tax assets	349	349	349
<b>TOTAL ASSETS</b>	<b>23 369 423</b>	<b>20 427 858</b>	<b>17 197 054</b>

	30 June 2019	30 June 2018	31 December 2018
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>LIABILITIES</b>			
Liabilities to credit institutions	796 365	0	489 331
Liabilities to the public and general government	4 645 914	4 000 000	4 005 361
Other liabilities	1 059 242	2 061 929	526 440
Accrued expenses and deferred income	519 298	1 640 012	1 170 050
Deferred tax liabilities	160 082	160 082	160 082
<b>TOTAL LIABILITIES</b>	<b>7 180 901</b>	<b>7 862 023</b>	<b>6 351 264</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	80 000	80 000	80 000
Unrestricted reserves			
Unrestricted shareholders' invested equity reserve	17 051 839	11 892 958	11 892 958
Retained earnings/loss	-1 127 167	5 560 696	5 503 979
Sales and purchases of parent company securities	2 181	-5 571	-16 404
Distribution of dividend	0	-3 232 493	-3 232 493
Profit/loss for the period	-1 125 910	-1 729 756	-3 382 250
Non-controlling equity interests	1 307 579	0	0
<b>TOTAL EQUITY</b>	<b>16 188 522</b>	<b>12 565 834</b>	<b>10 845 790</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>23 369 423</b>	<b>20 427 858</b>	<b>17 197 054</b>

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## CASH FLOW STATEMENT

	<b>1-6/2019 6 months</b>	<b>1-6/2018 6 months</b>	<b>1-12/2018 12 months</b>
<b>Cash flow from business operations</b>			
Operating profit	-1 133 598	-1 723 365	-3 368 351
Adjustments to operating profit	190 519	142 149	371 002
Change in working capital	-6 436 926	- 111 109	248 844
Taxes paid	27 880	-369 424	-694 977
<b>Cash flow from business operations</b>	<b>-7 352 124</b>	<b>-2 061 750</b>	<b>-3 443 382</b>
<b>Cash flow from investments</b>			
Investments in tangible and intangible assets	210	120 461	47 350
Investments in other investments	1 310 079	833	-22 438
<b>Cash flow from investments</b>	<b>1 310 289</b>	<b>121 294</b>	<b>24 913</b>
<b>Cash flow from financing</b>			
Shareholders' equity increases with payment	5 158 881	0	0
Long-term loans raised	5 442 279	4 000 000	4 494 692
Instalments of long-term loans	-4 494 692	-2 993 200	-2 993 200
Sales and purchases of parent company securities	2 181	-5 571	-16 404
Dividends paid and other profit distribution	0	- 3 232 493	-3 232 493
<b>Cash flow from financing</b>	<b>6 108 650</b>	<b>-2 231 264</b>	<b>-1 747 405</b>
<b>Change in cash and cash equivalents</b>	<b>66 814</b>	<b>-4 171 720</b>	<b>-5 165 975</b>
Cash and cash equivalents on 1 January	461 106	5 627 080	5 627 080
<b>Cash and cash equivalents on 30 June 2019, 30 June 2018 and 31 December 2018</b>	<b>527 920</b>	<b>1 455 360</b>	<b>461 106</b>

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

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## CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Fair value reserve	Unrestricted shareholders' invested equity reserve	Retained earnings	Minority share	Total equity
<b>Equity on 1 January 2019</b>	80 000	0	11 892 958	-1 127 167	0	10 845 791
Purchases of own securities				-1 948 710		-1 948 710
Sales of own securities				1 950 891		1 950 891
Increase in shareholder's equity			5 158 881		1 307 579	6 466 460
Change in fair value						0
Distribution of dividend						0
Profit/loss for the period				-1 125 910		-1 125 910
<b>Equity on 30 June 2019</b>	80 000	0	17 051 839	-2 250 896	1 307 579	16 188 522

	Share capital	Fair value reserve	Unrestricted shareholders' invested equity reserve	Retained earnings	Minority share	Total equity
<b>Equity on 1 January 2018</b>	80 000	638 930	11 892 958	4 921 766	0	17 533 655
Purchases of own securities				-257 209		-257 209
Sales of own securities				251 639		251 639
Increase in shareholder's equity						0
Change in fair value		-638 930		638 930		0
Distribution of dividend				-3 232 493		-3 232 493
Profit/loss for the period				-1 729 756		-1 729 756
<b>Equity on 30 June 2018</b>	80 000	0	11 892 958	592 877	0	12 565 836

	Share capital	Fair value reserve	Unrestricted shareholders' invested equity reserve	Retained earnings	Minority share	Total equity
<b>Equity on 1 January 2018</b>	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

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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
<b>Equity on 31 December 2018</b>	80 000	0	11 892 958	-1 127 167		10 845 791

## PREPARATION PRINCIPLES OF THE HALF-YEARLY REPORT

The half-yearly report has been prepared in compliance with the good accounting practice and Finnish legislation. As an entity supervised by the Financial Supervisory Authority, Privanet group complies with the IFRS 9 standard with effect from January 1, 2018. According to the new classification, 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 coming into effect, the profits and losses in valuation have been entered into the fair value reserve in the equity. Consequently, changes in values of unlisted securities, that are in the balance sheet of the group companies, significantly affect the result of the group, and their value is subject to uncertainty factors. The Company does not apply hedge accounting. Figures of the half-yearly report are unaudited. The information has been presented in a scope required in section 4.4 of the First North rulebook. The figures presented have been expressed in round numbers.

## 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, has a marketing agreement with Hansdotter Oy that is an associated company of which the Company owns 33.33%. Privanet Capital Markets Ltd has 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 reporting period. According to the agreements, Capital Markets is marketing shares and debt instruments, that the companies have issued, to investors. The group companies had a joint shareholding in Siltaraha of 40.21% (40.71% at the beginning of the reporting 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%.

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The Company made 1 707 900 euros of share investments during the reporting period in Before Holding Oy, of which it owned 51.61% at the end of the period. Privanet Securities Ltd made a debt investment of 51 780 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 520 334 euros during the reporting period. 70 815 euros of commissions have been charged regarding the transactions. Also, Securities has intermediated subscriptions for shares from related parties worth 27 960 euros.

	PRIVANET GROUP PLC		OTHER GROUP COMPANIES	
	1 January – 30 June 2019	1 January – 30 June 2018	1 January – 30 June 2019	1 January – 30 June 2018
Share/bond sales	2 448 010 <sup>1</sup>	57 973	2 121 017 <sup>2</sup>	-
Share/bond purchases	-	254 335	3 516 557 <sup>3</sup>	898 144
Paid consulting/licensing rewards	36 953	3 720	78 535	11 754
Received consulting/licensing rewards	-	-	111 778	-
Loan receivables per 31.12.	200 000	200 000	51 780	-
Sales receivables and accrued income per 31.12.	8 482	900 000	86 659	1950
Liabilities per 31.12.	3 522	151 351	5 233	897 665

<sup>1</sup> 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.

<sup>2</sup> Includes 156 728€ of securities sold to Before Holding Oy and 1 964 289€ of bonds sold to Mash Group Oyj.

<sup>3</sup> Includes 3 516 557€ of bonds purchased from Mash Group Oyj

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