

PRIVANET

Privanet Group Oyj

ANNOUNCEMENT

28 February 2020, 10:30 am.

Privanet Group Oyj's financial statement release 2019 – year of major changes

Financial statement and report of activities from the financial period 1 January 2019 – 31 December 2019 briefly:

- Income from investment services of the Group was -1,01 million euros (8,29 million euros 1-12/2018)
- Operating result of the Group was -10,98 million euros (-3,37 million euros)
- Earnings per share were -0,63 euros (-0,24 euros)
- The Company was significantly recapitalized, and it went through a material change in cost structure and strategy
- Structural operating model of the Group was simplified, and its investment service activities were concentrated under subsidiary Privanet Securities Ltd's license
- Cross-listing of the Company in the Nordic MTF marketplace, as well as Privanet Securities Ltd's branch office in Norway will be abandoned, and the offering of investment services in Finland is aimed to be expanded to additional services

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

Privanet Group (consolidated)	1-12/2019 (12 months)	1-12/2018 (12 months)	Change	7-12/2019 (6 months)	7-12/2018 (6 months)	Change
Income from investment services, 1000 EUR	-1 008	8 292	-112,2 %	-3 696	4 042	-191,4 %
Operating profit/loss, 1000 EUR	-10 984	-3 368	226,1 %	-9 851	-1 645	498,8 %
-% of the income from investment services	1090,2 %	-40,6 %	-2783,8 %	266,5 %	-40,7 %	-754,9 %
Profit/loss for the period, 1000 EUR	-10 807	-3 382	219,5 %	-9 681	-1 652	486,0 %
-% of the income from investment services	1072,6 %	-40,8 %	-2729,5 %	261,9 %	-40,9 %	-740,6 %
Earnings per share, EUR	-0,63	-0,24	163,3 %	-0,48	-0,12	302,3 %

CEO Riku Lindström's review

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

PRIVANET

resigned and 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 for Privanet 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

Privanet Securities Ltd's license, and Privanet Capital Markets Oy'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.

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.

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

PRIVANET

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. At the end of the financial period, the Company had 1.17 million euros of the bond in its balance sheet. 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.

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 Wio'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.

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

Privanet Group Plc's result for the financial period that ended on 31 December 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

PRIVANET

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.

Publishing of the financial statements and the Annual General Meeting

Financial statements and the report of activities of Privanet Group regarding the year 2019 will be published on 10 March 2020 on the address <http://www.privanetgroup.fi/investors/financial-information/>.

The Annual General Meeting of Privanet Group Oyj will be held on Friday, 3 April 2020, at 3:30 pm. The location of the meeting will be the Rake Ballroom at Klaus K Hotel, Erottajankatu 4 C, Helsinki. The invitation and instructions for registration for the Annual General Meeting will be published on 13 March 2019 at the latest.

Financial reporting

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

More information:

Privanet Group Oyj

Timo T. Laitinen, Chairman of the Board
+358 (0)500 701 230
timo.laitinen@privanet.fi

Privanet Group Oyj

Riku Lindström, CEO
+358 (0)40 864 4483
riku.lindstrom@privanet.fi

PRIVANET

Certified Adviser of Privanet Group Oyj is Valkia Advisors Oy, telephone +358 (0)50 368 6866.

Privanet Group briefly

Privanet Group Oyj is the parent company in a Finnish investment group. The subsidiary of the group, Privanet Securities Ltd, carries on business according to an investment service company's license concentrating on maintaining Finland's leading secondary marketplace for unlisted securities, as well as certain financing arrangements. 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 eight Finnish cities. The customer base consists of private persons, companies and institutional investors. privanet.fi, privanetgroup.fi

Distribution

NASDAQ Helsinki Oy
Nordic Growth Market NGM AB
Press Center
www.privanetgroup.fi