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Privanet Group Oyj

ANNOUNCEMENT

21 August 2019, 6:50 pm.

PRIVANET GROUP OYJ'S HALF-YEARLY REPORT 1 JANUARY–30 JUNE 2019: Equity increased and profitability improved markedly during the second quarter

Privanet Group Oyj publishes its half-yearly report earlier than it was previously announced, as the report was finished faster than expected. Previously, the report was scheduled to be published on 29 August 2019. Also, the Company has ongoing negotiations with investors regarding a bond that it has issued, and the Company wants to make sure that investors have access to the latest financial information before making an investment decision.

- The result of the group improved materially in the second quarter in comparison with the first quarter, and the cost structure of the group is at a significantly lower level compared to the first quarter
- The turnover of the group, i.e. income from investment services, in the reporting period was 2.69 million euros (1-6/2018: 4.25 million euros)
- The operating result of the group was -1.13 million euros (-1.72 million euros)
- Group equity and the balance sheet structure have strengthened substantially, which enables systematic and sustainable development of the business in the long term
- The Company considers that its profit-making capability has been strengthened and aims for a markedly improved result for the whole year compared to the previous year.

Key figures (figures are unaudited and presented more thoroughly in the attachment of this announcement):

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%
Profit/loss for the 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

CEO Karri Salmi's review

The beginning of Privanet's year has been a period of transformation and reorganization. The company has been significantly recapitalized, its Board of Directors has changed almost entirely, and it has gone through a material change in lowering its cost structure. As a result of these measures, the result of the group became clearly positive in the second quarter of the first half of the

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year, whereas the first quarter was still significantly negative. The next step will be to invest in the development of the operational activities of the group, which is enabled by the strengthened and materially improved balance structure of the firm.

An essential part in restructuring of the company has been the substantial strengthening of the company's equity base. This has been carried out by two directed share issues to Mininvest Ltd, a company under control of Mr. Kim Wiio. Privanet raised in these two share issues 5.2 million euros of additional equity. Mininvest paid the issues with in kind consideration, i.e. shares of St1 Nordic Oy. Reselling the shares to investors is and will be an important part in improving the liquidity of the group. Simultaneously, we brought one of the most interesting Finnish unlisted companies to Privanet's secondary marketplace, to its Premarket. Trading in St1 shares has been active, with the trading volume already being close to two million euros by the end of the reporting period.

The composition of the company's Board of Directors changed almost entirely as a result of the Annual General Meeting in the spring. Of the prior members of the Board, only Timo T. Laitinen continued as the Chairman of the Board. In addition, three new members, Tommi Lindfors, Mika Lehtimäki and Jonas Lindholm, joined the Board. In the Extraordinary General Meeting in June, the Board of Directors was reinforced with one more additional member upon election of Mr. Kim Wiio to the Board. Privanet's new Board of Directors has been very active and it has a significant role in creating a new strategy of the company as well as recapitalizing the company.

The preparation of the change in the cost structure began already during the previous financial period, as the profitability of the group became remarkably negative. On 7 January 2019, we made an announcement regarding the launching of co-operation negotiations. As a result of the negotiations, the sales, with the exception of the sales management, was outsourced to agents. Significant cost savings were implemented in the group administration, both in relation to personnel costs and administrative expenses. Consequently, the cost structure has changed toward variable expenses correlating more and more with sales volumes.

The first half of the year has been tough for Privanet's personnel because of the cost savings. There are 59% less employees than in the beginning of the year, and the savings affect also the daily work of the remaining employees. Our employees have been considerably well able to assume greater responsibility, and have managed the workload of the personnel having left the company. I would like to thank the whole personnel for this. It is important for all of us to get this hard work rewarded so that the course of the company changes and it regains its status as a profitable investment services firm again.

There were fewer financing rounds carried out during the first half than in the comparable period. The most significant reason was that when the company was being restructured, the operating capability of the sales function was rather weak especially during the first quarter. Four financing rounds were carried out in both Around and Realinvest, through which 3.1 million euros of capital was raised in both platforms. Volumes in Premarket developed favorably, growing 12% from the corresponding period last year.

In early February, Privanet's was cross-listed to the NGM Finland trading venue, operated by Nordic Growth Market AB. The listing had already been prepared for a long time and its purpose has been

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to increase Privanets visibility on capital markets and expand its ownership structure. However, perhaps the most significant news was the acquisition of Noweco Partners Oy at the end of February. With the acquisition of Noweco, we aim at incorporating private equity fund structures as a substantial part of future business. Furthermore, we expect to obtain also long-term continuous new income through the fund business, which is an essential part in concentrating on the group's efforts to concentrate on long-term business and investment operations.

Business operations of Privanet Group during the period January–June 2019

Turnover of the group, i.e. income from the investment services, was 2.29 million euros in the reporting period. The turnover consisted primarily of the net gains from trading securities from the company's own balance sheet that were 1.46 million euros, and commission and fee income that were 1.09 million euros. Commission and fee income is obtained from the financing arrangements carried out in the AROUND crowdfunding platform, brokerage fees in the Premarket secondary marketplace, and other commission and fee income. The majority of the business expenses were administrative expenses, about half of which are personnel expenses and the other half other administrative expenses. The personnel expenses were 1.37 million euros. Other administrative expenses were 1.44 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. As a result of the co-operation negotiations in the beginning of the year, the cost structure has changed substantially, reducing especially the amount of personnel expenses, which were 43.08% less than during the comparative period. The cost structure of the group was also otherwise better-balanced particularly during the second quarter. The other business expenses were 0.32 million euros, including expenses related to company premises. The operating loss was 1.13 million euros.

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 the reporting period it has been sold to clients in the secondary market. The amount of liquid assets of the group was 0.53 million euros on 30 June 2019, whereas at the end of 2018 it was 0.46 million euros. The change in cash and cash equivalents during the reporting period was thus 0.07 million euros.

Operating environment

Macroeconomic expectations have slightly subsided from the beginning of the year. Anticipatory indicators are implying about rather fierce deceleration and that the central banks are likely to realign with a more relaxed monetary policy. It remains to be seen whether the developments in the regulated markets will be affected by the weakening economic development or the stimulating monetary policy. This may also affect the demand for Privanet's products. However, returns from unlisted securities have historically correlated rather weakly with the conventional markets, and they can be considered a diversification opportunity in relation to listed shares.

Among the unlisted securities, especially the attitude towards the financing of startup companies and early-stage growth companies has become more cautious than before. During the last three years, significant amounts of capital has been raised through crowdfunding in Finland for numerous companies compared to the size of the nation, and the increase in equity values have often not yet

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been realized . However, the company has a view that there is an ample market for alternative investments and, consequently, the interest in unlisted companies as a whole is expected to remain high.

Personnel, management and administration

At the end of the reporting period, the Group had a total of 24 employees (30 June 2018: 61 employees). The employees were in the Finnish Group companies Privanet Group Oyj, Privanet Capital Markets Ltd, Privanet Securities Ltd, Noweco Partners Ltd and Crowhow Ltd, and the branch office of Privanet Securities Ltd in Norway. In addition, 13 tied agents were working in a contractual relationship on behalf and under the responsibility of Privanet Capital Markets Ltd through their own companies.

In the beginning of the reporting 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, 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, 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 reporting 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 reporting period, and Karri Salmi as the CEO.

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 the Company at the end of the reporting period was 20 054 317 (14 054 317). Shares that were directed to Mininvest Ltd, company under Kim Wiio's control, based on the decision that the Board of Directors made on 19 June 2019 but were registered after the end of the reporting period have been included in the number of shares. Mininvest Ltd became the largest shareholder of the Company through the share issue. The average number of shares on the reporting period was 17 054 317, whereas on the financial period 2018 it was 14 054 317. Each share of the Company has one vote and provides equal rights to dividends and assets of the Company. On 30 June 2019, the share capital of the parent company was 80 000 euros and the total equity was 11 774 230 euros.

On 30 June 2019, Privanet Group Oyj had a total of 1904 shareholders. The largest shareholders of the Company beside Mininvest Ltd were Mash Group Oyj and Finactu Oy. The management of the Group, members of the Board of Directors and other personnel, including tied agents, owned a total of 35.15 percent of all shares of the Company.

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Resolutions of the General Meetings

Two General Meetings of Privanet Group Oyj were held during the reporting period. In the Annual General Meeting that was held on 27 March, 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 of 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, the discharging from liability and the proposal of the Board regarding the distribution of profits. 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, 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 reporting period. The authorization replaced all the authorizations that had been given in prior general meetings.

Risk management and business risks

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. The organizing of the risk management, as well as risks related to business activities and operating environment, are more

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thoroughly explained in the annual report from financial year 2018 that is available on the Company website at <http://www.privanetgroup.fi/investors/financial-information/?lang=en>.

According to the view of the Company's management, there have not been significant changes in the risks and uncertainty factors of the group in the first half of 2019. As far as Lapis group, which is among the investment target companies, is concerned, 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.

Significant events after the reporting period

After the end of the reporting period Kimmo Lönnmark, who had been the CEO of Privanet Securities Ltd and acting CEO of Privanet Capital Markets Ltd, was relieved from his duties in Privanet Group. Karri Salmi, the CEO of Privanet Group Oyj, continued as the CEO of Privanet Securities Ltd and Privanet Capital Markets Ltd beside his other duties.

Future prospects

The company has a target that its business profitability will improve during the second half of 2019. Financing rounds in Around and Reinvest are likely to be arranged less frequently than before. The intention is to arrange rounds whose attractiveness in the market has been managed to be ensured regarding the attraction of the target company and the valuation of the financing round. With regard to Premarket, growth expectations are high and its volumes are expected to increase from the previous periods. Also new interesting companies are sought to be traded during the rest of the year. Marketing permission for Noweco Nordic Fund V private equity fund is expected to be obtained during the autumn, and the operations of the fund to be launched during the rest of the year. After that, the group is expected to obtain long-term, continuous income also from the fund business.

Financial reporting

The Company will publish a financial statement release for the financial year 2019 on 28 February 2020.

Helsinki 21 August 2019
Privanet Group Oyj
Board of Directors

ATTACHMENT: Key figures of the group, the principles for calculating the key figures, consolidated income statement, consolidated balance sheet, consolidated cash flow statement, changes in shareholders' equity, preparation principles of the half-yearly report, related party transactions

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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 eight Finnish cities. The customer base consists of private persons, companies and institutional investors. privanet.fi, privanetgroup.fi

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