

Fellow Finance Plc
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FELLOW FINANCE

Fellow Finance Plc

Financial statements

1 January – 31 December 2018

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The balance sheet book must be retained until at least 31 December 2028.
Vouchers for the financial year must be retained until at least 31 December 2024.

Report by the Board of Directors 1 January 2018 – 31 December 2018

Fellow Finance Group

Established in 2013, Fellow Finance started its operations in 2014. The company is an expansive global FinTech group that provides crowdfunding services. The Fellow Finance Group consists of the parent company Fellow Finance Plc and its wholly-owned subsidiaries Lainaamo Oy and Fellow Finance Sp. z o.o. The shares of Fellow Finance Plc are listed on the Nasdaq First North Finland marketplace.

For the perform of its operations, Fellow Finance Plc has a payment institution licence granted by the Finnish Financial Supervisory Authority. In Germany, Fellow Finance Plc holds a credit intermediation licence (Kreditvermittlungslizenz). Fellow Finance started to mediate loans in Poland in 2016, in Germany in 2017 and in Sweden in 2018. Its subsidiary Lainaamo Oy is registered in the creditor register maintained by the Regional State Administrative Agency for Southern Finland. The group's Swedish subsidiary P2P Sverige AB had no business operations during the financial year, and the subsidiary was sold as unnecessary in December 2018. Enabled by its payment institution licence, Fellow Finance Plc provides its services across the border in Sweden.

Development of business operations and events of note in 2018

Fellow Finance's business operations and the number of mediated loans continued to substantially grow during the entire financial period. During the financial year, Fellow Finance mediated consumer and corporate loans to the amount of MEUR 172 (+74%). The number of loan applicants who used Fellow Finance's service increased by 82% from 2017 to a total of 497,384 applicants, whereas the number of investor customers increased by 78% to a total of 10,772 investors. The total number of service users increased by more than 80% from the previous year to a total of 500,000 users. By the end of the financial period, Fellow Finance provided services for loan applicants from Finland, Sweden, Germany and Poland. The Company had investor customers from approximately 60 countries.

Measured by the number of mediated funding, Fellow Finance was at the end of the financial period the largest crowdfunding and peer-to-peer loan service in the Nordic countries (Source: Brismo Market Data). From the start of its operations to the end of 2018, Fellow Finance has mediated funding for private persons and companies for more than MEUR 360.

During the financial period, Fellow Finance opened its service in Sweden to private persons. The provision of a crowdfunding and peer-to-peer-lending service in Sweden requires a payment institution licence, and Fellow Finance provides its services to Sweden across the border. Last autumn, Fellow Finance Plc listed on the Nasdaq First North Finland marketplace, with the number of the Company's owners increasing to approximately 2,800.

Fellow Finance was also very successful during the financial period in the required recruitments, with the Company's personnel increasing to 36 persons of 8 different nationalities.

Financial Development 2018

Fellow Finance Group's consolidated turnover grew by 38,2% from previous financial year to 12,0 (8,7) million euros and consolidated EBIT grew by 34,7% to 3,4 (2,5) million euros. Operating profit margin was 28,1% from turnover. Parent company's turnover grew by 44,2% from previous financial year to 7,7 (5,3) million euros and EBIT was 2,0 (0,8) million euros.

The Fellow Finance Group reports on its business operations as one segment. The division of the Group's turnover between the financing fee income and the lending interest income is described in the table below, together with the Group's profits and and operating margin.

Key ratios

EUR 1,000 (unless otherwise informed)

CONSOLIDATED KEY FIGURES	1-12/2018	1-12/2017
Turnover (EUR 1,000)	11 958.8 ¹⁾	8 655,7 ¹⁾
From which commissions	8 967.0 ¹⁾	5 975,2 ¹⁾
From which interest yields from loans	2 991.8 ¹⁾	2 680,4 ¹⁾
EBITDA	3 747.5	2 867,6
EBITDA margin %	31.3%	33,1 %
Adjusted EBITDA	3 922.3 ³⁾	2 867,6
Adjusted EBITDA margin, %	32.8% ³⁾	33,1 %
Operating profit (EBIT)	3 357.1 ¹⁾	2 493,0 ¹⁾
Operating profit (EBIT) -margin, %	28.1% ¹⁾	28,8 % ¹⁾
Adjusted operating profit (Adjusted EBIT)	3 531.9 ³⁾	2 493,0
Adjusted operating profit (Adjusted EBIT) -margin, %	29.5% ³⁾	28,8 %
Earnings before taxes (EBT)	1 053.1 ¹⁾	1 218,2 ¹⁾
Earnings before taxes (EBT) -margin, %	8.8%	14,1 %
Adjusted earnings before taxes (Adjusted EBT)	2 168.2 ³⁾	1 218,2
Adjusted earnings before taxes (Adjusted EBT) -margin, %	18.1% ³⁾	14,1 %
Profit for accounting period	797.9 ¹⁾	1 083,7 ¹⁾
Adjusted profit for accounting period	1 690.0 ³⁾	1 083,7
Lainaamo's loan receivables rate	21 257.6	18 124,8
Lainaamo's outstanding interest-bearing debt	16 930.0	16 945,0
Equity/share (issue-adjusted), EUR	2.0	0,72 ²⁾
Return on equity (ROE), %	8.5% ¹⁾	29,8 % ¹⁾
Equity ratio, %	44.8% ¹⁾	19,1 % ¹⁾
Personnel (average number)	27 ¹⁾	22 ¹⁾
Earnings per share (issue-adjusted) (EPS), undiluted, EUR	0.13	0,19 ²⁾
Adjusted earnings per share (Adjusted EPS), undiluted, EUR	0.28 ³⁾	0,19 ²⁾
Equity/share, EUR	2.0	18.0
Salaries and incentives	1 525.5	924.8
End balance of Balance Sheet	32 392.5	21 890.3
Average number of outstanding shares during period (issue-adjusted)	6 112 151	5 817 625 ²⁾
Number of outstanding shares at end of the period (issue-adjusted)	7 128 625	5 817 625 ²⁾

¹⁾ Audited

²⁾ Key Figures per share are calculated by using a number of shares adjusted in a consequence of costless share issue (share split) for the Company's shareholders. As a part of the arrangements related to Planned Offering, it was decided by unanimous shareholders'

decision on 7 September 2018 to organize costless share issue for the Company's shareholders. Share issue adjustment means adjustment of number of shares in consequence of costless share issue.

³⁾ Adjusted with Company's nonrecurring costs related on listing to Nasdaq's First North Finland -marketplace and option incentives related to that. Total of 1,1 million euros was booked as costs on which 0,2 million to Personnel costs and 0,9 million to financial items. Adjusted Profit for accounting period takes on account the computational taxes if the nonrecurring costs were not actualized.

Calculation of Key Ratios

EBITDA	=	Operating profit + Depreciation, amortization and impairment losses
EBITDA margin, %	=	$\frac{\text{Operating profit + Depreciation, amortization and impairment losses}}{\text{Turnover}}$
Adjusted EBITDA	=	EBITDA + non-recurring operative costs ¹
Adjusted EBITDA margin, %	=	$\frac{\text{Operating profit + non-recurring operative costs}^1}{\text{Turnover}}$
Adjusted operating profit (Adjusted EBIT)	=	Operating profit + non-recurring operative costs ¹
Adjusted operating profit (Adjusted EBIT) margin, %	=	$\frac{\text{Operating profit + non-recurring operative costs}^1}{\text{Turnover}}$
Earnings before taxes (EBT), margin, %	=	$\frac{\text{Profit for the year + income taxes}}{\text{Turnover}}$
Adjusted earnings before taxes (Adjusted EBT)	=	Profit for the year + income taxes + non-recurring operative costs ¹ + non-recurring financing costs ²
Adjusted profit for the year	=	Profit for the year + non-recurring operative costs ¹ + non-recurring financing costs ²
Equity ratio, %	=	$\frac{\text{Equity}}{\text{Balance sheet total - prepayments received}}$
Return on equity (ROE), %	=	$\frac{\text{Profit for the year (annualised)}}{\text{Equity (average)}}$
Earnings per share (EPS), undiluted, EUR	=	$\frac{\text{Profit for the year}}{\text{Share split-adjusted}^3 \text{ average number of outstanding shares during period}}$
Adjusted earnings per share (adjusted EPS), undiluted, EUR	=	$\frac{\text{Adjusted profit for the year}}{\text{Share split}^3 \text{ average number of outstanding shares during period}}$

Balance sheet and funding

At the end of the year, the Fellow Finance Group's balance sheet total was 32,4 (21,9) million euros. Fellow Finance Group's debt receivables were 21,3 (18,1) million euros, which equates to 65,6% (82,8) of total assets.

Fellow Finance Group's interest bearing debt was 16,9 (16,9) million euros. Liabilities in total were 17,9 (17,7) million euros and equity totalled 14,5 (4,2) million euros.

Fellow Finance Group's equity ratio was 44,8 (19,1) percent. Liquid assets increased after IPO and as a result of a positive financial performance of the Company. The financial position of the Company became stronger enabling the future growth plan.

Capital adequacy

Fellow Finance's capital adequacy management has been organized according to the laws regulating Payment Institutions. The base of the capital adequacy management is that payment institution's own assets, together with their quality and allocation are on a sufficient level to cover the risks that payment institution carries continuously. To calculate the required amount of assets, Fellow Finance uses transaction-based calculation method. A transaction is included in the calculation when an investor transfers money via platform to the borrower and when borrower do repayment to the investor.

Fellow Finance Plc's total capital was 12,94 million euros (2,37) when the minimum adequate capital requirement 0,4 million euros (0,3) in the end of the financial period.

Information on the research and development activities

The company has no research and development activities.

Management system and information on wages and fees

Fellow Finance publishes in connection with the financial statements information about its management and control system as well as a report on wages and fees on its website at www.fellowfinance.fi.

Decision taken by the annual general meeting and shareholders' unanimous decisions

The Fellow Finance Plc's Annual General Meeting of Shareholders held in Helsinki on 31st of January 2018. The Annual General Meeting granted release from liability of the members of the Board of Directors and the CEO.

The Annual General Meeting made a resolution to pay a dividend according to board's proposal was totaled 511.941,00 euros.

The Annual General Meeting confirmed six (6) as the total number of the Board of Directors. Teemu Nyholm, Harri Tilev, Jorma Alanne, Riikka Rajavirta and Pontus Oinonen were elected to Fellow Finance Plc's Board of Directors.

The Annual General Meeting elected KHT Timo Helle (Grant Thornton) as the Auditor of the Company.

In addition to the Annual General Meeting the Company decided by the unanimous shareholders decision in Helsinki 1st of August 2018 to change the members of the Board of Directors due to the Company's IPO plans. The goal was to improve the Corporate Governance demanded from a listed company. The new member's elected were Esa Laurila and Kai Myllyneva. Teemu Nyholm, Harri Tilev and Jorma Alanne continued as board members. The annual reward to the independent board members was decided to 5000 euros.

Other shareholder's unanimous resolutions from the financial period of 2018 are addressed in the section "Share and shareholders".

Share and shareholders

The Company's number of shares in 31st of December 2018 was 7 128 625. The Company listed on First North Finland -marketplace during the financial period. The Company's share capital was 125 000 euros at the end of the financial period 2018.

The Company's shareholders decided 7th of September unanimously on the amendments to the Company's Articles of Association necessitated by the First North listing. The shareholders also decided on a share issue authorization to the Board of Directors, pursuant to which a maximum of 1,700,000 new shares in the Company may be issued, and on an authorization to the Board of Directors to acquire the Company's own shares, by virtue of which a maximum of 581,762 shares in the Company may be acquired. The Authorization is valid till the end of the next annual general meeting but limited to 30th of June 2019.

The Company's shareholders resolved unanimously on 7th of September 2018 to authorize the Board of Directors of the Company to decide on a directed issue of a maximum of 1,300,000 Shares of the Company and on 29th of October 2018 private offering of 11 000 new shares as a management incentive. Other changes regarding the shares and equity is described in more detail in the offering memorandum published during the initial public offering. During the financial period Fellow Finance Plc has not owned any own shares.

Fellow Finance Plc received gross proceeds of 9,98 million euros in the initial public offering (IPO). Trading of the Company's shares commenced on 10th of October 2018 with the trading code FELLOW. The shares' closing price on the last trading day on 28th of December 2018 was 6,50 euros. The financial period's lowest trading price was 6,20 euros and the highest 8,25 euros. Fellow Finance Plc's market value at the end of the financial period was 46,34 million euros and the Company had 2784 shareholders.

The biggest shareholders

Shareholder list is based on Euroclear Finland Oy's list of registered shareholders. Dated 31st December 2018.

No.	Name	Stocks	(%)
1	TAALERI OYJ	1 847 163	25,91
2	MARGIN INVESTMENTS OY	830 843	11,66
3	TN VENTURES OY	830 843	11,66
4	OY T&T NORDCAP AB	646 436	9,07
5	AVENSIS CAPITAL OY	277 266	3,89
6	OP-SUOMI MIKROYHTIÖT -ERIKOISSIJOITUSRAHASTO	140 060	1,96
7	VAKUUTUSOSAKEYHTIÖ HENKI-FENNIA	134 949	1,89
8	OP-SUOMI PIENYHTIÖT	130 000	1,82
9	SIJOITUSRAHASTO SÄÄSTÖPANKKI PIENYHTIÖT	129 366	1,81
10	KESKINÄINEN TYÖELÄKEVAKUUTUSYHTIÖ VARMA	100 980	1,42

Risks and risk factors

The company brochure published in September 2018 extensively covers the risk factors pertaining to Fellow Finance Group's operating environment, business and economy. The Company's Board of Directors is responsible for the proper arrangement of risk management and internal control. The responsibility for the execution of risk management resides with the CEO. The objective of the Company's risk management is to support the smooth execution of its strategy and revenue generation and to ensure that the risks associated with the Company's operations are duly identified, assessed and limited and that the risks arising from business operations are monitored.

The parent company Fellow Finance Plc is not exposed to any significant credit, market or liquidity risks. As a company providing, developing and maintaining a crowdfunding and peer-to-peer loan service, Fellow Finance Plc's most significant identified risks are operational. Operational risks refer to direct or indirect financial loss resulting from insufficient or failed internal processes, information systems, personnel or external factors. Reputation, legal, compliance and data security risks are also included in operational risks.

Operational risks are managed by constantly developing operating practices, information systems

and internal processes and by ensuring sufficient instruction and competence of the personnel. Legal risks may relate to the contracts concluded with various cooperation and contract partners. Legal risks are managed by retaining the services of external experts where necessary. Fellow Finance is dependent on the professional competence of its key individuals and their commitment to the Company. The risk to reputation and the clients' trust towards the Company and the provided service are managed by means of openness and active internal and external communications. The Company minimises its information system and data security risks by using advanced systems and secure data processing methods. The key methods in managing the risks associated with operations and in identifying the risks involved are: the operating methods in the processes and guidelines, training, reporting and supervision, regular self-assessment as well as regular review and development of business processes.

The operation of the Company's subsidiary, Lainaamo Oy, is based on the provision of financing to companies and private persons via the crowdfunding platform of Fellow Finance. Hence, Lainaamo lends funds against its own balance to private persons and companies. Lainaamo also provides financing to private persons independently under its own brand. Lainaamo may become exposed to a credit loss, if Lainaamo's lender customers are unable to pay back the credit due to insolvency or some other reason.

As a rule, Lainaamo finances its operations via promissory note financing, on the availability of which subject to competitive terms and conditions it is dependent. The operations of Lainaamo play an important role with regard to the business operations of Fellow Finance, as Lainaamo is an important investor customer on the crowdfunding platform of Fellow Finance. Especially when breaking into a new market, Fellow Finance is partially dependent on the operations of Lainaamo as an investor customer, because Lainaamo may provide lender customers on the new market with funds and hence create the foundation for operating on the new market.

The Board, CEO and Auditors

The Company's Board of Directors is formed starting at 1st of August 2018 by Kai Myllyneva as a chairman of the Board of Directors and Teemu Nyholm, Jorma Alanne, Harri Tilev and Esa Laurila as board members. In the financial year 2018 the board met 15 times and the participation percentage in the meetings was 100%.

The Company's Auditor is KHT Timo Helle (Grant Thornton).

The Company's CEO in the financial period has been Jouni Hintikka.

Essential events after financial period 2018

Fellow Finance expanded to Denmark in January 2019. After the financial period 2018 the Company has continued the platform development in accordance with the Company's strategy and objectives by expanding in Europe to new markets and by creating new financial products within the current markets and therefore offering to its investor clients even more investment and diversification opportunities.

Profit Forecast 2019

The Fellow Finance Group's turnover in 2019 is expected to grow over 30% and its adjusted operating profit (EBIT) to grow from financial year 2018.

Dividend policy

The Board of Directors of Fellow Finance made a resolution on the Company's dividend policy on 31st of July 2018. Fellow Finance seeks to distribute at least 30 percent of the Company's annual net profit to its Shareholders in dividends, taking into account the Company's financial condition and financing situation. However, the size and payment of dividend depend on at least the following: Company profits and financial condition, future investments, cash flow, amount of net debt and loan servicing requirements, and other factors deemed material by the Board. The dividend policy is in effect until further notice.

Board of Directors dividend proposal

At the end of the financial period 2018 the parent company's distributable assets were 13.436.667,11 euros of which the financial period's 2018 profit was 828.942,72 euros.

The Board of Directors proposes to the Annual General Meeting of Shareholders that a dividend of EUR 0,04 per share be paid, which counts for 30% of the Company's earnings per share.

Consolidated income statement

INCOME STATEMENT	1 January – 31 December 2018	1 Jan – 31 Dec 2017
TURNOVER	11 958 781.05	8 655 681.81
Other operating income	2 250.00	9 000.00
Materials and services		
External services	-3 788 653.80	-2 976 034.78
	<u>-3 788 653.80</u>	<u>-2 976 034.78</u>
Personnel expenses		
Wages and salaries	-1 414 117.66	-846 815.47
Pension expenses	-226 839.25	-157 737.39
Other non-wage payroll expenses	-40 444.90	-26 421.76
	<u>-1 681 401.81</u>	<u>-1 030 974.62</u>
Depreciation, amortisation and impairment		
Depreciation and amortisation according to plan	-365 513.63	-349 822.01
Depreciation on consolidated goodwill	-24 816.24	-24 816.24
	<u>-390 329.87</u>	<u>-374 638.25</u>
Other operating costs	-2 743 497.81	-1 790 057.40
OPERATING PROFIT/LOSS	3 357 147.76	2 492 976.76
Financial income and expenses		
Other interest and financial income		
From others	2 278.41	3 211.99
Interest and other financial expenses		
To others	-2 306 328.23	-1 278 033.30
	<u>-2 304 049.82</u>	<u>-1 274 821.31</u>
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES	1 053 097.94	1 218 155.45
Income taxes	-255 217.93	-134 460.45
PROFIT/LOSS FOR THE YEAR	797 880.01	1 083 695.00

Consolidated balance sheet

BALANCE SHEET	31.12.2018	31.12.2017
ASSETS		
NON-CURRENT ASSETS		
Intangible assets		
Other capitalised long-term expenditure	620 433.95	380 436.40
Goodwill	35 156.18	59 972.42
	<u>655 590.13</u>	<u>440 408.82</u>
Tangible assets		
Machinery and equipment	191 217.38	46 272.70
TOTAL NON-CURRENT ASSETS	846 807.51	486 681.52
CURRENT ASSETS		
Receivables		
Non-current		
Loan receivables	15 846 300.21	13 471 281.53
Current		
Trade receivables	95 665.83	112 049.99
Loan receivables	5 411 296.78	4 616 698.80
Other receivables	1 156 871.00	1 182 182.74
Prepayments and accrued income	347 471.39	267 050.28
	<u>7 011 305.00</u>	<u>6 177 981.81</u>
Cash and cash equivalents	0.00	2 548.40
Cash in hand and at banks	8 688 129.61	1 751 800.22
	<u>8 688 129.61</u>	<u>1 754 348.62</u>
TOTAL CURRENT ASSETS	31 545 734.82	21 403 611.96
TOTAL ASSETS	32 392 542.33	21 890 293.48

Consolidated balance sheet

BALANCE SHEET	31.12.2018	31.12.2017
SHAREHOLDERS' EQUITY AND LIABILITIES		
SHAREHOLDERS' EQUITY		
Share capital	125 000.00	125 000.00
Invested unrestricted equity reserve	13 039 361.05	2 977 540.00
Retained earnings/loss	563 542.32	-10 308.32
Profit/loss for the year	797 880.01	1 083 695.00
TOTAL SHAREHOLDERS' EQUITY	14 525 783.38	4 175 926.68
LIABILITIES		
Non-current		
Loans from financial institutions	2 000 000.00	5 300 000.00
Other liabilities	11 215 000.00	11 245 000.00
	<u>13 215 000.00</u>	<u>16 545 000.00</u>
Current		
Loans from financial institutions	800 000.00	0.00
Trade payables	275 871.80	322 509.15
Other liabilities	3 017 879.03	477 598.32
Accruals and deferred income	558 008.12	369 259.33
	<u>4 651 758.95</u>	<u>1 169 366.80</u>
TOTAL LIABILITIES	17 866 758.95	17 714 366.80
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	32 392 542.33	21 890 293.48

Consolidated cash flow statement (€1,000)

Cash flow from operations	1 January – 31 December 2018	1 Jan – 31 Dec 2017
Profit (loss) before extraordinary items	1 053.1	1 218.2
Depreciation and amortisation according to plan	390.3	374.6
Financial income and expenses	2 304.0	1 274.8
Cash flow before change in working capital	3 747.5	2 867.6
Change in net working capital		
Increase (-)/decrease (+) in short-term non-interest-bearing receivables	-38.7	570.0
Increase (+)/decrease (-) in short-term non-interest-bearing debts	216.4	107.2
Cash flow from business operations before financial items and taxes	3 925.2	3 544.8
Interest paid and payments made for other financial expenditure	-2 306.3	-1 278.0
Interest on business operations	2.3	3.2
Direct taxes paid	-304.2	-149.1
Cash flow from business operations (A)	1 316.9	2 120.9
Cash flow from investments		
Investments in tangible and intangible assets	-750.5	-168.2
Loans extended increase(-)/decrease(+)	-3 169.6	-6 026.3
Cash flow from investments (B)	-3 920.1	-6 194.5
Cash flow from financing activities		
Initial public offering	10 061.8	
Withdrawals of current loans	500.0	
Repayments of current loans	-715.0	
Withdrawals of non-current loans	2 700.0	4 010.0
Repayments of non-current loans	-2 500.0	-400.0
Paid dividends and other distribution of profit	-512.0	
Translation difference	2.1	-5.0
Cash flow from financing activities (C)	9 537.0	3 605.0
Change in cash and cash equivalents	6 933.8	-468.6
Cash and cash equivalents at the beginning of the financial year	1 754.3	2 223.0
Cash and cash equivalents at the end of the financial year	8 688.1	1 754.3
Difference in cash and cash equivalents	6 933.8	-468.6

Notes concerning the preparation of consolidated financial statements

Principles applied in the preparation of the consolidated financial statements

All group and affiliated companies have been consolidated with the Group.
The consolidated financial statements have been prepared using the acquisition cost method.

The depreciation of the company's non-current assets subject to wear and tear is based on a predetermined depreciation plan. The depreciation plan has been defined based on practice and experience.

Intra-group transactions, unrealised margins on internal deliveries, inter-company receivables and liabilities, and the Group's internal distribution of profit have been eliminated.

Amendment of the accounting principles of the consolidated financial statements

The consolidated income statement item 'financing expenses in materials and services' has been moved after operating profit under item 'Interest and other financial expenses' to ensure comparability of the consolidated income statement. A similar change has been made to the comparative information of the preceding financial years.

Foreign currency denominated items

Foreign currency denominated items are translated into EUR at the exchange rate prevailing on the date of the closing of the accounts. Income statement items are translated using the average rate.

Notes to the income statement

Principles for planned depreciation and changes thereto

Class of asset	Estimated useful life	Depreciation (%)	Depreciation method
Group goodwill	5 years	20 %	Straight-line depreciation
Intangible rights	3 to 4 years	25% and 33%	Straight-line depreciation
Other capitalised long-term expenditure	3 to 4 years	25% and 33%	Straight-line depreciation
Machinery and equipment	4 years	25 %	Straight-line depreciation

The acquisition cost of assets with estimated economic useful life of no more than three years and de minimis purchases are recognised as expenses in financial year in which they are incurred.

Breakdown of turnover	31.12.2018	31.12.2017
Interest income on loans	2 991 765.86	2 680 437.67
Other loan fees	8 967 015.19	5 975 244.14
Total	<u>11 958 781.05</u>	<u>8 655 681.81</u>

Notes on personnel	31.12.2018	31.12.2017
Average number of personnel	27	22
Wages and salaries	1 525 495.44	924 792.20
Pension expenses	247 945.34	172 475.00
Other non-wage payroll expenses	42 984.30	28 605.11
Capitalisation of personnel expenses	-135 023.27	-94 897.69
Total	<u>1 681 401.81</u>	<u>1 030 974.62</u>
Salaries and fees of the Board of Directors and the CEO:	242 920.00	187 800.00

Depreciation, amortisation and impairment	31.12.2018	31.12.2017
Depreciation and amortisation according to plan		
On intangible assets	328 828.32	320 030.70
On tangible assets	36 685.31	29 791.31
On consolidated goodwill	24 816.24	24 816.24
Total	<u>390 329.87</u>	<u>374 638.25</u>
Auditor's fee		
Audit fees	15 912.30	14 056.64
Other services	21 724.80	
Material amounts shown under prepayments and accrued income		
Accrued and matured interest income	210 265.64	169 658.77
Other prepayments and accrued income	137 205.75	97 391.51
Total prepayments and accrued income	<u>347 471.39</u>	<u>267 050.28</u>
Change in non-current assets:		
Consolidated goodwill		
Acquisition cost at year start	<u>124 081.02</u>	<u>124 081.02</u>
Acquisition cost before planned depreciation	124 081.02	124 081.02
Accumulated planned depreciation at year start	-64 108.60	-39 292.36
Planned depreciation during the year	<u>-24 816.24</u>	<u>-24 816.24</u>
Accumulated planned depreciation at year end	-88 924.84	-64 108.60
Acquisition cost at year end	124 081.02	124 081.02
Accumulated planned depreciation at year end	<u>-88 924.84</u>	<u>-64 108.60</u>
Reducing balance after planned depreciation	35 156.18	59 972.42
Consolidated goodwill reducing balance at year end	35 156.18	59 972.42

Intangible assets:	31.12.2018	31.12.2017
Computer software		
Acquisition cost at year start	880 867.41	716 699.14
Increases during the year	158 136.87	164 168.27
Acquisition cost before planned depreciation	1 039 004.28	880 867.41
Accumulated planned depreciation at year start	-555 453.90	-322 694.31
Planned depreciation during the year	-233 108.10	-232 759.59
Accumulated planned depreciation at year end	-788 562.00	-555 453.90
Acquisition cost at year end	1 039 004.28	880 867.41
Accumulated planned depreciation at year end	-788 562.00	-555 453.90
Reducing balance after planned depreciation	250 442.28	325 413.51
Computer software reducing balance at year end	250 442.28	325 413.51
Other capitalised long-term expenditure		
Acquisition cost at year start	220 087.39	220 087.39
Increases during the year	410 689.00	0.00
Acquisition cost before planned depreciation	630 776.39	220 087.39
Accumulated planned depreciation at year start	-165 064.50	-91 702.50
Planned depreciation during the year	-95 720.22	-73 362.00
Accumulated planned depreciation at year end	-260 784.72	-165 064.50
Acquisition cost at year end	630 776.39	220 087.39
Accumulated planned depreciation at year end	-260 784.72	-165 064.50
Reducing balance after planned depreciation	369 991.67	55 022.89
Reducing balance of other capitalised long-term expenditure at year end	369 991.67	55 022.89
Carrying amount of intangible assets at year end	655 590.13	440 408.82

Tangible assets	31.12.2018	31.12.2017
Machinery and equipment		
Acquisition cost at year start	107 171.83	103 149.83
Increases during the year	218 429.99	4 022.00
Decreases during the year	-36 800.00	0.00
Acquisition cost before planned depreciation	288 801.82	107 171.83
Accumulated planned depreciation at year start	-60 899.13	-31 107.82
Planned depreciation during the year	-36 685.31	-29 791.31
Accumulated planned depreciation at year end	-97 584.44	-60 899.13
Acquisition cost at year end	288 801.82	107 171.83
Accumulated planned depreciation at year end	-97 584.44	-60 899.13
Reducing balance after planned depreciation	191 217.38	46 272.70
Carrying amount of tangible assets at year end	191 217.38	46 272.70
De minimis purchases recognised as costs for the financial year	26 716.97	11 290.35

Notes concerning the shareholders' equity and liabilities in the balance sheet

Statement of changes in the shareholders' equity	31.12.2018	31.12.2017
Restricted equity		
Share capital at year start	125 000.00	125 000.00
Share capital at year end	125 000.00	125 000.00
Total restricted equity	125 000.00	125 000.00
Unrestricted equity		
Paid-up unrestricted equity reser	2 977 540.00	2 977 540.00
Initial public offering	9 978 364.05	0.00
Shares subscribed with options	83 457.00	0.00
Distribution of dividends	-511 951.00	0.00
Retained earnings (loss)	1 075 493.32	-10 308.32
Profit for the year	797 880.01	1 083 695.00
Total unrestricted equity	14 400 783.38	4 050 926.68
Total shareholders' equity	14 525 783.38	4 175 926.68

Material amounts shown under accruals and deferred income:	31.12.2018	31.12.2017
Accrual of opening fees	22 281.74	56 805.96
Holiday pay liability inclusive of social security charges	206 449.99	137 886.23
Other personnel costs	29 742.52	6859.6
Income taxes	2 947.73	51 970.08
Other accruals and deferred income	296 586.14	115 737.46
	<u>558 008.12</u>	<u>369 259.33</u>

Guarantees and contingent liabilities:

Liabilities and guarantees by balance sheet item and type of guar:	31.12.2018	31.12.2017
Other receivables pledged rent deposit	0.00	12 138.56

Other financial liabilities not recognised in the balance sheet:

Lease liabilities maturing during the year	122 340.00	15 256.27
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Off-balance sheet assets managed by the Group

Customer assets on bank accounts (€1,000)	7 598.1	3 968.0
Open loan principal (€1,000)	91 781.0	53 353.8

Parent company income statement

INCOME STATEMENT	1 January – 31 December 2018	1 Jan – 31 Dec 2017
TURNOVER	7 670 097.98	5 318 793.25
Other operating income	169 426.96	164 445.97
Materials and services		
External services	-3 095 375.70	-2 654 648.89
	<u>-3 095 375.70</u>	<u>-2 654 648.89</u>
Personnel expenses		
Wages and salaries	-1 414 117.66	-846 815.47
Pension expenses	-226 839.25	-157 737.39
Other non-wage payroll expenses	-40 444.90	-26 421.76
	<u>-1 681 401.81</u>	<u>-1 030 974.62</u>
Depreciation, amortisation and impairment		
Depreciation and amortisation according to plan	-283 585.48	-210 551.77
Other operating costs	-819 253.21	-778 718.13
OPERATING PROFIT/LOSS	1 959 908.74	808 345.81
Financial income and expenses		
Other interest and financial income		
From Group companies	20 507.27	29 484.65
From others	1 824.13	30.78
Interest and other financial expenses		
To others	-941 010.10	-616.16
	<u>-918 678.70</u>	<u>28 899.27</u>
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES	1 041 230.04	837 245.08
Income taxes	-212 287.32	-30233.08
PROFIT/LOSS FOR THE YEAR	828 942.72	807 012.00

Parent company balance sheet

BALANCE SHEET	31.12.2018	31.12.2017
ASSETS		
NON-CURRENT ASSETS		
Intangible assets		
Other capitalised long-term expenditure	620 433.95	298 771.02
	<u>620 433.95</u>	<u>298 771.02</u>
Tangible assets		
Machinery and equipment	191 217.38	46 009.93
Investments		
Participations in Group companies	3 757 893.95	763 293.87
TOTAL NON-CURRENT ASSETS	4 569 545.28	1 108 074.82
CURRENT ASSETS		
Receivables		
Current		
Trade receivables	64 491.86	39 260.93
Receivables from Group undertakings	122 754.55	393 831.23
Other receivables	940 601.52	526 243.42
Prepayments and accrued income	93 581.58	31 002.86
	<u>1 221 429.51</u>	<u>990 338.44</u>
Cash and cash equivalents		2 548.40
Cash in hand and at banks	8 615 268.00	1 598 353.12
	<u>8 615 268.00</u>	<u>1 600 901.52</u>
TOTAL CURRENT ASSETS	9 836 697.51	2 591 239.96
TOTAL ASSETS	14 406 242.79	3 699 314.78

Parent company balance sheet

BALANCE SHEET	31.12.2018	31.12.2017
SHAREHOLDERS' EQUITY AND LIABILITIES		
SHAREHOLDERS' EQUITY		
Share capital	125 000.00	125 000.00
Invested unrestricted equity reserve	13 039 361.05	2 977 540.00
Retained earnings/loss	80 314.34	-726 697.66
Distribution of dividends	-511 951.00	
Profit/loss for the year	828 942.72	807 012.00
TOTAL SHAREHOLDERS' EQUITY	13 561 667.11	3 182 854.34
LIABILITIES		
Current		
Trade payables	281 094.04	211 473.77
Other liabilities	58 245.55	29 564.85
Accruals and deferred income	505 236.09	275 421.82
	<u>844 575.68</u>	<u>516 460.44</u>
TOTAL LIABILITIES	844 575.68	516 460.44
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	14 406 242.79	3 699 314.78

Parent company cash flow statement

Cash flow from operations (€1,000)	1 January – 31 December 2018	1 Jan – 31 Dec 2017
Profit (loss) before appropriations and taxes	1 041.2	837.2
Depreciation and amortisation according to plan	283.6	210.6
Financial income and expenses	918.7	-28.9
Cash flow before change in working capital	2 243.5	1 018.9
Change in net working capital		
Increase (-)/decrease (+) in short-term non-interest-bearing receivables	-231.1	-438.7
Increase (+)/decrease (-) in short-term non-interest-bearing debts	328.1	88.3
Cash flow from business operations before financial items and taxes	2 340.5	668.5
Interest paid and payments made for other financial expenditure	-941.0	-0.6
Interest on business operations	22.3	29.5
Direct taxes paid	-212.3	0.0
Cash flow from business operations (A)	1 209.6	697.4
Cash flow from investments		
Investments in tangible and intangible assets	-750.5	-168.2
Investments in other securities	-2 994.6	0.0
Cash flow from investments (B)	-3 745.1	-168.2
Cash flow from financing activities		
Initial public offering	10 061.8	
Paid dividends and other distribution of profit	-512.0	
Cash flow from financing activities (C)	9 549.9	0.0
Change in cash and cash equivalents	7 014.4	529.2
Cash and cash equivalents at the beginning of the financial year	1 600.9	1 071.7
Cash and cash equivalents at the end of the financial year	8 615.3	1 600.9

Notes concerning the preparation of the financial statements

Measurement and recognition principles and methods

The company's non-current assets are valued at their acquisition cost. The depreciation of the company's non-current assets subject to wear and tear is based on a predetermined depreciation plan. Depreciation is recognised as an expense in the amount of the difference between the acquisition cost and the residual value over the estimated useful life.

Probable credit losses have been deducted from the company's trade receivables. The estimate that no payment is no longer expected to accrue in respect of these receivables based on prior experience and actual performance.

Foreign currency denominated items

Foreign currency denominated items are translated into EUR at the exchange rate prevailing on the date of the closing of the accounts. Income statement items are translated using the average rate.

Notes to the income statement

Comparability of the information of the previous financial periods

When comparing the information of the financial period to the previous financial period, it should be taken into account that in the 2018 financial period, the company entered as expenses exceptional instalments that were related to the listing of the company on the Nasdaq First North marketplace.

The expenses in question amounted to a total of €1,115,107.22 of which €940,315.53 belonged to the financial income and expenses category and €174,791.69 belonged to personnel expenses.

Principles for planned depreciation and changes thereto

Class of asset	Estimated useful life	Depreciation (%)	Depreciation method
Intangible rights	3 years	33 %	Straight-line depreciation
Other capitalised long-term expenditure	3 years	33 %	Straight-line depreciation
Machinery and equipment	4 years	25 %	Straight-line depreciation

The acquisition cost of assets with estimated economic useful life of no more than three years and de minimis purchases are recognised as expenses in financial year in which they are incurred.

Breakdown of turnover	31.12.2018	31.12.2017
Loan opening fees	4 689 265.09	3 464 439.55
Other fees	2 980 832.89	1 854 353.70
Total	<u>7 670 097.98</u>	<u>5 318 793.25</u>

Notes on personnel	31.12.2018	31.12.2017
Average number of personnel	27	22
Wages and salaries	1 525 495.44	924 792.20
Pension expenses	247 945.34	172 475.00
Other non-wage payroll expenses	42 984.30	28 605.11
Capitalisation of personnel expenses	-135 023.27	-94 897.69
Total	<u>1 681 401.81</u>	<u>1 030 974.62</u>
Salaries and fees of the Board of Directors and the CEO:	242 920.00	187 800.00

Depreciation, amortisation and impairment	31.12.2018	31.12.2017
Depreciation and amortisation according to plan		
On intangible assets	247 162.94	190 277.64
On tangible assets	36 422.54	20 274.13
Total	<u>283 585.48</u>	<u>210 551.77</u>
Auditor's fee	31.12.2018	31.12.2017
Audit fees	10 093.60	8 253.44
Other services	21 724.80	
Notes concerning the assets in the balance sheet		
Itemisation of investments	Holding (%)	Capitalised value
In Group companies		
Lainaamo Oy	100 %	711 200.00
Fellow Finance Sp. z o.o.	100 %	46 693.95
Total investment shares		<u>763 293.87</u>
Material amounts shown under other receivables	31.12.2018	31.12.2017
Peer-to-peer loan fees	885 709.10	514 104.86
Rent deposits		12 138.56
Tax refund receivables	48 654.42	
Lunch vouchers	6 238.00	
Other receivables	<u>940 601.52</u>	<u>526 243.42</u>
Material amounts shown under prepayments and accrued income	31.12.2018	31.12.2017
Insurance payment fees	45 924.64	
Tax deducted at source paid in advance	32 184.50	
Other prepayments and accrued income	15 472.44	31 002.86
Total prepayments and accrued income	<u>93 581.58</u>	<u>31 002.86</u>
Receivables from Group undertakings:	31.12.2018	31.12.2017
Trade receivables	72 754.55	18 831.23
Loan receivables	<u>50 000.00</u>	<u>375 000.00</u>
	<u>122 754.55</u>	<u>393 831.23</u>

Change in non-current assets:

Changes in investments:	31.12.2018	31.12.2017
Shares in Group companies		
Acquisition cost at year start	763 293.87	763 293.87
Increases during the year	3 000 000.00	
Decreases during the year	-5 399.92	
Acquisition cost at year end	3 757 893.95	763 293.87
Intangible assets:	31.12.2018	31.12.2017
Computer software		
Acquisition cost at year start	499 322.82	335 154.55
Increases during the year	158 136.87	164 168.27
Acquisition cost before planned depreciation	657 459.69	499 322.82
Accumulated planned depreciation at year start	-255 574.69	-138 659.05
Planned depreciation during the year	-151 442.72	-116 915.64
Accumulated planned depreciation at year end	-407 017.41	-255 574.69
Acquisition cost at year end	657 459.69	499 322.82
Accumulated planned depreciation at year end	-407 017.41	-255 574.69
Reducing balance after planned depreciation	250 442.28	243 748.13
Reducing balance at year end	250 442.28	243 748.13
Other capitalised long-term expenditure		
Acquisition cost at year start	220 087.39	220 087.39
Increases during the year	410 689.00	0.00
Acquisition cost before planned depreciation	630 776.39	220 087.39
Accumulated planned depreciation at year start	-165 064.50	-91 702.50
Planned depreciation during the year	-95 720.22	-73 362.00
Accumulated planned depreciation at year end	-260 784.72	-165 064.50
Acquisition cost at year end	630 776.39	220 087.39
Accumulated planned depreciation at year end	-260 784.72	-165 064.50
Reducing balance after planned depreciation	369 991.67	55 022.89
Reducing balance of other capitalised long-term expenditure at year end	369 991.67	55 022.89
Carrying amount of intangible assets at year end	620 433.95	298 771.02
Tangible assets	31.12.2018	31.12.2017
Machinery and equipment		
Acquisition cost at year start	82 323.01	78 301.01
Increases during the year	218 429.99	4 022.00
Decreases during the year	-36 800.00	0.00
Acquisition cost before planned depreciation	263 953.00	82 323.01
Accumulated planned depreciation at year start	-36 313.08	-16 038.95
Planned depreciation during the year	-36 422.54	-20 274.13
Accumulated planned depreciation at year end	-72 735.62	-36 313.08
Acquisition cost at year end	263 953.00	82 323.01
Accumulated planned depreciation at year end	-72 735.62	-36 313.08
Reducing balance after planned depreciation	191 217.38	46 009.93
Carrying amount of tangible assets at year end	191 217.38	46 009.93
De minimis purchases recognised as costs for the financial year	26 716.97	11 290.35

Notes concerning the shareholders' equity and liabilities in the balance sheet

Statement of changes in the shareholders' equity		31.12.2018	31.12.2017
Restricted equity			
	Share capital at year start	125 000.00	125 000.00
	Share capital at year end	<u>125 000.00</u>	<u>125 000.00</u>
Total restricted equity		125 000.00	125 000.00
Unrestricted equity			
	Paid-up unrestricted equity reserve	13 039 361.05	2 977 540.00
	Retained losses at year start	80 314.34	-726 697.66
	Distribution of dividends	-511 951.00	
	Profit/loss for the year	<u>828 942.72</u>	<u>807 012.00</u>
Total unrestricted equity		13 436 667.11	3 057 854.34
Total shareholders' equity		<u>13 561 667.11</u>	<u>3 182 854.34</u>

Statement of distributable funds in shareholders' equity:

	31.12.2018	31.12.2017
Retained earnings	-431 636.66	-726 697.66
Paid-up unrestricted equity reserve	13 039 361.05	2 977 540.00
Profit for the year	<u>828 942.72</u>	<u>807 012.00</u>
Total distributable funds	<u>13 436 667.11</u>	<u>3 057 854.34</u>

Material amounts shown under accruals and deferred income:

	31.12.2018	31.12.2017
Holiday pay liability inclusive of social security charges	206 449.99	137 886.23
Other personnel costs	29 742.52	6 859.60
Income tax		30 233.08
Other accruals and deferred income	<u>269 043.58</u>	<u>100 442.91</u>
	<u>505 236.09</u>	<u>275 421.82</u>

Structural and financial arrangements

Valid issue authorisations

On 7 September 2018, the Company decided by the shareholders' unanimous decision to authorise the Board of Directors to decide on the issue of new shares in one or several tranches for a fee or free of charge. A maximum of 1,700,000 new shares may be issued on the basis of the authorisation.

The Board of Directors is entitled to decide on the terms and conditions of the share issue, including the grounds for determining the subscription price and final subscription price of the issued shares as well as the approval of share subscriptions, the allocation of new shares to be issued and the final number of the issued shares. In the share issue carried out when the Company applies for its shares to traded on the First North Finland marketplace (hereinafter referred to as "First North") maintained by Nasdaq Helsinki Oy, the Board of Directors may also decide on the granting of new shares to the board members subject to the same terms and conditions than when shares are granted to other subscribers. The authorisation includes the right to deviate from the shareholders' pre-emptive subscription right provided that the company has a significant financial reason for doing so. The authorisation also includes the right to decide whether the subscription price of the share is subscribed in full or in part in the reserve for invested unrestricted equity or as an increase of the share capital. The authorisation shall remain in force until the end of the company's next regular general meeting, however no later than 30 June 2019. The authorisation was used during the financial period such that a total of 1,311,000 shares were issued. At the end of the financial period, the authorisation shall remain such that a maximum of 389,000 shares may be issued.

Procuring own shares

On 7 September 2018, the Company decided by the shareholders' unanimous decision to authorise the Board of Directors to decide on the procurement of a maximum of 581,762 of the company's own shares in one or several tranches using the company's unrestricted shareholders' equity. The condition of the authorisation is that the company's shares shall be traded on First North.

The maximum number of the shares corresponds with approximately 10% of the company's total shares once the new shares issued subject to item 4 (distribution of the Company's shares, i.e. increasing the number of shares by a free share issue) have been registered on the Trade Register. Regardless, the Company together with its subsidiaries may not currently own more than 10% of the company's total shares. Based on the authorisation, the company's own shares may only be procured with unrestricted shareholders' equity. Except for the ratio of the shareholders' ownership, the shares are procured in First North's public trading for the current market price of the time of trading or otherwise for a price determined by the market. The authorisation may be used, for example, to implement potential company acquisitions or share-based incentive systems or for other purposes decided by the Board of Directors. Shares procured on the basis of the authorisation may be transferred, retained by the company or voided. The Board of Directors can decide all of the other terms and conditions pertaining to the procurement of own shares. The authorisation shall remain in force until the end of the company's next regular general meeting, however no later than 30 June 2019. It was decided at the same time that the authorisation will be publicly registered immediately once the company's shares become available for trading on the First North marketplace. The authorisation was not used during the financial period.

Specific rights

On 7 September 2018, the Company decided by the shareholders' unanimous decision to authorise the Board of Directors to decide on the issue of specific rights entitling to the purchase of options and other shares pursuant to the Limited Liability Companies Act, section 10, subsection 1, in one or several tranches, either for a fee or free of charge. The maximum total number of the shares acquired on the basis of the specific rights is 581,762, which corresponds with approximately 10% of the company's total shares once the new shares issued subject to item 4 (distribution of the Company's shares, i.e. increasing the number of shares by a free share issue) have been registered on the Trade Register.

The Company may issue either new shares or shares held by the Company. The authorisation gives the Board of Directors the right to decide the terms and conditions of the granting of specific rights entitling to shares, including the parties to whom the options or other specific rights are granted. The authorisation may be used as part of the company's incentive system or for other purposes decided by the Board of Directors. The authorisation shall remain in force until the end of the company's next regular general meeting, however no later than 30 June 2019. The authorisation was used during the financial period such that a total of 11,000 shares were issued. At the end of the financial period, the authorisation shall remain such that a maximum of 570,762 shares may be issued.

Guarantees and contingent liabilities:

Liabilities and guarantees by balance sheet item and type of guarantee:

Other receivables	pledged rent deposit	0.00	12 138.56
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Other financial liabilities not recognised in the balance sheet:

Rent and leasing liabilities		31.12.2018	31.12.2017
	maturing during the year	122 340.00	15 256.27

Holdings in other companies:

Company name	Registered office	Share of ownership
Lainaamo Oy	Helsinki, Finland	100 %
Fellow Finance Sp. z o.o.	Warsaw, Poland	100 %

Share capital of the company:

	31.12.2018	31.12.2017
No. of shares	7,128,625	232,705
Total	7,128,625	232,705

Each share carries one vote at a General Meeting of Shareholders.

Off-balance sheet assets managed by the company

	31.12.2018	31.12.2017
Customer assets on bank accounts (€1,000)	7 622.2	4 434.0
Open loan principal (€1,000)	112 371.3	69 291.0

Signatures to the financial statements

Helsinki, 13 February 2019

Jouni Hintikka
CEO

Kai Myllyneva
Chairman of the Board

Jorma Alanne
Standing member of the Board

Teemu Nyholm
Standing member of the Board

Esa Laurila
Standing member of the Board

Harri Tilev
Standing member of the Board

Auditor's note

A report on the audit of the financial statements has been submitted today.

Helsinki, _____ 2019

Timo Helle, APA

AUDITOR'S REPORT

To the Annual General Meeting of Fellow Finance Plc

Report on the Audit of the Financial Statements

Opinion

I have audited the financial statements of Fellow Finance Plc (Business ID: 2568782-2) for the period of 1 January – 31 December 2018. The financial statements comprise the consolidated and the parent company's balance sheet, the income statement and notes to the financial statements.

In my opinion, the financial statements give a true and fair view of the financial performance and financial position of the group and the parent company in accordance with the laws and regulations governing the preparation of the financial statements in Finland and comply with the statutory requirements.

Basis for the opinion

I have conducted my audit in accordance with the Finnish good auditing practice. My responsibilities under the good auditing practice are further described in the section entitled *The auditor's responsibilities when auditing financial statements*. I am independent of the parent company and group companies in accordance with the ethical requirements that are applicable to Finland and that are relevant to our audit, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained to be sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of the Board of Directors and the CEO regarding the financial statements

The Board of Directors and the Chief Executive Officer are responsible for the preparation of financial statements such that they give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with the statutory requirements. The Board of Directors and the CEO are also responsible for such internal control as they determine 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 CEO 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 to cease operations, or there is no realistic alternative but to do so.

Auditor's responsibilities when auditing financial statements

My objective is 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 my 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 may 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 these financial statements.

As part of an audit in accordance with good auditing practice, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my opinion. The risk of not detecting a material misstatement resulting from fraud 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 the accounting policies used and the reasonableness of the accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the CEO'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 I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the all information presented in the financial statement, 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. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I 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 I identify during my audit.

Other reporting requirements

Other information

The Board of Directors and the CEO are responsible for the other information. The other information comprises the report of the Board of Directors. My opinion on the financial statements does not cover the other information.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, my responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In my 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 I have performed, I conclude that there is a material misstatement in the report of the Board of Directors, I am required to report that fact. I have nothing to report in this regard.

Helsinki, 13 February 2019

Timo
Helle, APA