

Fellow Finance Group

Fellow Finance group is a loan-based crowdfunding and peer-to-peer lending platform established in 2013. The company's mission is to transform the traditional financing and payments to direct transactions between people and businesses. Fellow Finance has intermediated consumer and business financing of more than 695 million euros in Finland, Sweden, Denmark, Germany, Poland and Czech Republic and served more than 900 000 customers.

Fellow Finance Group consists of the parent company Fellow Finance Plc and its wholly owned subsidiaries Lainaamo Oy, Fellow Finance Sp. z o.o., Fellow Finance Estonia OÜ and Fellow Finance Česko s.r.o.

Fellow Finance Plc has a payment institution licence granted by the Finnish Financial Supervisory Authority to execute its operations. In Germany, Fellow Finance Plc holds a credit intermediation licence (Kreditvermittlungslizenz). Its subsidiary Lainaamo Oy is registered in the creditor register maintained by the Regional State Administrative Agency for Southern Finland. Enabled by the payment institution licence, Fellow Finance Plc provides its services across borders in Sweden, Denmark and Czech Republic.

Fellow Finance Plc is listed on Nasdaq First North Growth Market Finland.

Development of business operations and relevant events in 2020

Fellow Finance's revenue and intermediated loan volume decreased during the financial year compared to 2019 due to the COVID-19 pandemic that led to a recession, general economic uncertainty and temporary regulation on the industry. Fellow Finance intermediated consumer and business loans worth of MEUR 131 (201). Of the total loan volume, business loan market accounted for 40.0% and the international loan markets (Poland, Germany, Sweden, Denmark and Czech Republic) accounted for 2.6%.

During the financial year, Fellow Finance was forced to suspend the intermediation of new loans in Germany as the partner bank Wirecard suspended its operations. In Poland, the intermediation of new loans had to be suspended due to the temporary regulation caused by the COVID-19 pandemic. Because of these events, the share of international loan markets from the group's total revenue reduced. Fellow Finance aims to relaunch intermediation of new loans in Poland and German in 2021.

From the end of 2019, the number of loan applicants increased by 18.2% to a total of 903 633 loan applicants and the number of loan investors increased by 13.4% to a total of 17 107 investors from more than 70 countries. Despite the uncertain market situation, the average return on the platform remained stable and on the pre-pandemic level (real-time statistics on the average return are available on the company's website).

In the beginning of the financial period, the company's CEO was Jouni Hintikka. The Board of Directors and Hintikka agreed that Hintikka would leave his position as CEO on June 30, 2020. The company's COO Teemu Nyholm was appointed as the interim CEO. Nyholm was later appointed as CEO on November 26, 2020.

During the second half of the financial year, the company's Board of Directors, together with the Management Team, defined the company's new strategy and long-term financial targets, which were announced on December 8, 2020.

Following the change of CEO, the company clarified and strengthened its organization by recruiting new key personnel. Juha Saari, responsible for consumer lending, and Miikka Silvonon, responsible for business lending, were appointed to the company's Management Team. The company succeeded in its essential recruitments during the financial year. The total number of employees at the end of the year was 46, representing seven different nationalities. Fellow Finance has offices in Helsinki, Turku and Gdansk, Poland. During the financial year, the company had to lay off its personnel partly to adjust expenses because of the negative impacts of the COVID-19 pandemic to business operations.

Economic development

Fellow Finance Group's consolidated revenue decreased by 22% from the previous financial year to MEUR 11.2 (14.2). The Group's operating profit margin (EBIT) was 5.5% (11.6), the operating profit was MEUR 0.6 (1.6) and the adjusted operating profit was MEUR 0.6 (2.3).

The parent company's revenue decreased by 33% from the previous financial year to MEUR 5.6 (8.4) and the EBIT was MEUR -0.1 (0.6).

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

Key ratios

EUR 1 000 (unless otherwise informed)

CONSOLIDATED KEY FIGURES	1-12/2020	1-12/2019
Revenue (EUR 1 000)	11 069.7 ¹⁾	14 193.7 ¹⁾
From which commissions	5 970.1 ¹⁾	10 042.1 ¹⁾
From which interest yields from loans	5 099.6 ¹⁾	4 151.6 ¹⁾
EBITDA	1 053.1	2 063.1
EBITDA margin %	9.5%	14.5%
Adjusted EBITDA	1 053.1	2 762.2 ²⁾
Adjusted EBITDA margin %	9.5%	19.5% ²⁾
Operating profit (EBIT)	603.9 ¹⁾	1 647.4 ¹⁾
Operating profit (EBIT) margin %	5.5% ¹⁾	11.6% ¹⁾
Adjusted operating profit (Adjusted EBIT)	603.9	2 346.6 ²⁾
Adjusted operating profit (Adjusted EBIT) margin %	5.5%	16.5% ²⁾
Earnings before taxes (EBT)	-604.7 ¹⁾	126.6 ¹⁾
Earnings before taxes (EBT) margin %	-5.5%	0.9%
Adjusted earnings before taxes (Adjusted EBT)	-604.7	893.0 ²⁾
Adjusted earnings before taxes (Adjusted EBT) margin %	-5.5%	6.3% ²⁾
Profit for accounting period	-880.0 ¹⁾	-69.1 ¹⁾
Adjusted profit for accounting period	-880.0	544.1 ²⁾
Lainaamo's loan receivables rate	22 477.4	28 657.3
Group's outstanding interest-bearing debt	13 610.0	20 370.0
Equity/share (issue-adjusted), EUR	1.9	2.03
Return on equity (ROE), %	neg. ¹⁾	neg. ¹⁾

Equity ratio, %	48.0% ¹⁾	40.2% ¹⁾
Personnel (average number)	47 ¹⁾	50 ¹⁾
Earnings per share (EPS), undiluted, EUR	-0.12	-0.01
Adjusted earnings per share (Adjusted EPS), undiluted, EUR	-0.12	0.08 ²⁾
Equity/share, EUR	1.9	2.0
Salaries and incentives	1 905.0 ³⁾	2 666.3 ³⁾
End balance of Balance Sheet	28 374.3	36 040.6
Average number of outstanding shares during period	7 173 625	7 146 872
Number of outstanding shares at the end of the period	7 173 625	7 173 625

1) Audited.

2) Adjusted with Company's nonrecurring costs related on listing to Nasdaq's First North Finland -marketplace and option incentives related to that on financial period 2019. Total of 0,7 million euros was booked to Personnel costs and 67,3 kEUR to financial items. Adjusted Profit for accounting period takes on account the computational taxes if the nonrecurring costs were not actualized.

3) Personnel costs without pension and other non-wage expenses. Figure includes activated salaries.

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 ¹⁾
Adjusted profit for the year	=	Profit for the year + non-recurring operative costs ¹⁾ + non-recurring financing costs ¹⁾
Equity ratio, %	=	$\frac{\text{Equity}}{\text{Balance sheet total - prepayments received}}$
Return on equity (ROE), %	=	$\frac{\text{Profit for the year (annualized)}}{\text{Equity (average)}}$
Earnings per share (EPS), undiluted, EUR	=	$\frac{\text{Profit for the year}}{\text{Share split-adjusted average number of outstanding shares during period}}$
Adjusted earnings per share (adjusted EPS), undiluted, EUR	=	$\frac{\text{Adjusted profit for the year}}{\text{Share split average number of outstanding shares during period}}$

Balance sheet and funding

Fellow Finance Group's balance sheet total was MEUR 28.3 (36.0) at the end of the year. The Group's debt receivables were MEUR 22.5 (28.7), which equates to 79.4% (79.5) of total assets.

Fellow Finance Group's interest bearing debt was MEUR 13.6 (20.4). Liabilities in total were MEUR 14.8 (21.5) and equity totalled MEUR 13.6 (14.5).

Fellow Finance Group's equity ratio was 48.0% (40.2). Lainaamo's liabilities were reduced total of MEUR 5.55 during the financial year.

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 a borrower and when the borrower does a repayment to the investor.

Fellow Finance's total capital was MEUR 13.5 when the minimum adequate capital requirement was MEUR 0.42 at the end of the financial period.

Information on research and development activities

Fellow Finance has no research and development activities.

Management system and information on wages and fees

Information regarding management system, wages and fees is concurrently published in Fellow Finance's financial statements and on the website at www.fellowfinance.fi.

Annual general meeting

Fellow Finance Plc's Annual General Meeting of Shareholders was held in Helsinki on 17th of June 2020. The Annual General Meeting approved the financial statements for 2019 and granted release from liability of the members of the Board of Directors and the CEO.

The Annual General Meeting made a resolution not to pay a dividend for financial year 2019 according to board's proposal.

The Annual General Meeting decided to re-elect Kai Myllyneva (Chairman), Teemu Nyholm, Jorma Alanne, Harri Tilev and Esa Laurila to Fellow Finance Plc's Board of Directors. The annual remuneration of the independent members of the Board of Directors was 10.000 euros and the Chairman 15.000 euros.

The Annual General Meeting elected KHT Timo Helle as the Auditor of the Company and Revico Grant Thornton as vice Auditor of the company until the next Annual General Meeting.

The Annual General Meeting resolved, in accordance with the Shareholders' Nomination Board's proposal, to approve the amended Shareholder's Nomination Board's Rules of Procedure so that the following paragraph was deleted: "A person employed by or in the service of the Company or a member of the Board of Directors cannot be appointed as a member of the Nomination Board, with the exception of the Chairman of the Board of Directors who participates in the Board as a non-voting expert member."

Other shareholder's unanimous resolutions regarding share issues and special rights entitling to shares are addressed in the section "Share and shareholders".

Share and shareholders

The Company's number of shares in 31st of December 2020 was 7 173 625. The company's share is listed on the Nasdaq First North Growth Market Finland under the trading code FELLOW. The company's share capital at the end of the review period was 125 000 euros. At the end of the financial year, Fellow Finance did not hold any of its own shares.

The closing price of the share on the last trading day of the financial year, 30 December 2020, was 2.90 euros. The lowest trading price for 2020 was 1.97 euros and the highest 4.36 euros. Fellow Finance market capitalization at the end of the financial year was 20.8 million euros and the company had 2 928 owners.

The Annual General Meeting resolved, in accordance with the proposal of the Board of Directors, to authorize the Board of Directors to decide on the repurchase of the company's own shares in one or more tranches using the company's unrestricted equity as follows. The maximum number of shares to be repurchased is 100 000. The shares will be repurchased otherwise than in proportion to the holdings of the shareholders in public trading on the Nasdaq Helsinki Ltd at the market price at the time of acquisition. The authorization is valid until the end of the next Annual General Meeting, but no later than June 30, 2021. The previous Board authorization expires on June 17, 2020.

The Annual General Meeting resolved, in accordance with the proposal of the Board of Directors, to authorize the Board of Directors to decide on the issue of shares and the granting of special rights to shares referred to in Chapter 10, paragraph 1 of the Companies Act. The total number of shares to be issued, including the shares to be acquired on the basis of special rights, may not exceed 400 000 shares. The Board of Directors may decide to issue either new shares or treasury shares held by the company. The proposed maximum number of authorizations corresponds to approximately 5.6% of the total number of shares in the company, as of the date of the notice of the meeting. The authorization is valid until the end of the next Annual General Meeting, but no later than June 30, 2021.

The largest shareholders

Shareholder list is based on Euroclear Finland Oy's list of registered shareholders. Dated 31st December 2020.

Nr	Name	Stocks	(%)
1	TAALERI OYJ	1 847 163	25.75
2	TN VENTURES OY	830 843	11.58
3	OY T & T NORDCAP AB	656 436	9.15
4	OP-SUOMI MIKROYHTIÖT -ERIKOISSIJOITUSRAHASTO	298 174	4.16
5	OP-SUOMI PIENYHTIÖT	269 711	3.76
6	AVENSIS CAPITAL OY	175 000	2.44
7	VAKUUTUSOSAKEYHTIÖ HENKI-FENNIA	150 071	2.09
8	SIJOITUSRAHASTO SÄÄSTÖPANKKI PIENYHTIÖT	128 841	1.80
9	DB-MANAGER OY	95 429	1.33
10	SYRJÄNEN EVA ANNIKA ELISABETH	84 698	1.18

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 Fellow Finance Group is not exposed to any significant market risks. The Group's credit risks are related to the financing operations of the subsidiary Lainaamo. The most significant liquidity risk of the Group is the bond issued by the parent company Fellow Finance in May 2019, with a maturity of three years. 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 during the financial year is formed by Kai Myllyneva as a chairman of the Board of Directors and Jorma Alanne, Harri Tilev and Esa Laurila as board members. In addition, Teemu Nyholm was board member until 26th of November 2020. In the financial year 2020, the board met 18 times and the participation percentage in the meetings was 100%.

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

In the beginning of the financial period, the company's CEO was Jouni Hintikka. The Board of Directors and Hintikka agreed that Hintikka would leave his position as CEO on June 30, 2020. The company's COO Teemu Nyholm was appointed as the interim CEO. Nyholm was later appointed as CEO on November 26, 2020.

Essential events after financial period 2020

There have not been significant changes in the company's business since the end of the financial year.

Financial targets and guidelines for 2021

The COVID-19 pandemic still impacts our business in 2021 causing uncertainty about the possible continuation of the temporary regulation and thus making it difficult to predict especially the level of growth in funding provided by our loan investors. Despite the uncertainty, we expect revenue growth compared to 2020. We also anticipate that the result for 2021 will remain slightly unprofitable because of investments in new products and growth for the upcoming years.

Dividend policy and the Board of Directors dividend proposal

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.

Dividend proposal

At the end of the financial period 2020 the parent company's distributable assets were 14.164.014,15 euros of which the financial period's 2020 profit was 94.359,97 euros. The Board of Directors proposes to the Annual General Meeting of Shareholders, which will be held 31.3.2021, that no dividend shall be paid for the financial period of 2020.

Consolidated income statement

INCOME STATEMENT	1.1-31.12.2020	1.1-31.12.2019
TURNOVER	11 069 705.64	14 193 738.24
Other operating income	0.00	0.00
Materials and services		
Exchange rate differences on purchases	-214.91	-2 093.48
External services	-2 281 100.36	-4 273 510.30
	<u>-2 281 315.27</u>	<u>-4 275 603.78</u>
Personnel expenses		
Wages and salaries	-1 743 016.37	-2 515 776.56
Pension expenses	-240 288.52	-316 384.23
Other non-wage payroll expenses	-65 391.92	-49 206.65
	<u>-2 048 696.81</u>	<u>-2 881 367.44</u>
Depreciation, amortisation and impairment		
Depreciation and amortisation according to plan	-438 850.68	-390 815.01
Depreciation on consolidated goodwill	-10 339.94	-24 816.24
	<u>-449 190.62</u>	<u>-415 631.25</u>
Other operating costs	-5 686 567.03	-4 973 714.07
OPERATING PROFIT/LOSS	603 935.91	1 647 421.70
Financial income and expenses		
Other interest and financial income		
From others	23 770.88	15 112.40
Interest and other financial expenses		
To others	-1 232 407.75	-1 535 961.85
	<u>-1 208 636.87</u>	<u>-1 520 849.45</u>
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES	-604 700.96	126 572.25
Income taxes	-275 331.55	-195 680.93
PROFIT/LOSS FOR THE YEAR	-880 032.51	-69 108.68

Consolidated balance sheet

BALANCE SHEET	31.12.2020	31.12.2019
ASSETS		
NON-CURRENT ASSETS		
Intangible assets		
Other capitalised long-term expenditure	782 166.15	904 032.72
Goodwill	0.00	10 339.94
	<hr/>	<hr/>
	782 166.15	914 372.66
Tangible assets		
Machinery and equipment	69 546.48	148 845.36
TOTAL NON-CURRENT ASSETS	851 712.63	1 063 218.02
CURRENT ASSETS		
Receivables		
Non-current		
Loan receivables	15 045 893.78	22 779 200.54
Current		
Trade receivables	76 043.98	101 757.26
Loan receivables	7 439 266.94	5 878 051.56
Other receivables	435 207.91	1 759 259.79
Prepayments and accrued income	756 870.34	536 995.55
	<hr/>	<hr/>
	8 707 389.17	8 276 064.16
Cash and cash equivalents	3 769 346.01	3 922 085.90
	<hr/>	<hr/>
	3 769 346.01	3 922 085.90
TOTAL CURRENT ASSETS	27 522 628.96	34 977 350.60
TOTAL ASSETS	28 374 341.59	36 040 568.62

Consolidated balance sheet

BALANCE SHEET	31.12.2020	31.12.2019
SHAREHOLDERS' EQUITY AND LIABILITIES		
SHAREHOLDERS' EQUITY		
Share capital	125 000.00	125 000.00
Invested unrestricted equity reserve	13 360 661.05	13 360 661.05
Retained earnings/loss	1 002 326.00	1 077 665.29
Profit/loss for the year	-880 032.52	-69 108.68
TOTAL SHAREHOLDERS' EQUITY	13 607 954.53	14 494 217.66
LIABILITIES		
Non-current		
Loans from financial institutions	0.00	0.00
Bonds	11 100 000.00	11 100 000.00
Other liabilities	1 450 000.00	2 660 000.00
	<u>12 550 000.00</u>	<u>13 760 000.00</u>
Current		
Loans from financial institutions	0.00	700 000.00
Trade payables	270 357.11	383 160.86
Other liabilities	1 080 477.16	5 986 700.39
Accruals and deferred income	865 552.68	716 489.71
	<u>2 216 386.95</u>	<u>7 786 350.96</u>
TOTAL LIABILITIES	14 766 386.95	21 546 350.96
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	28 374 341.48	36 040 568.62

Consolidated cash flow statement (€ 1 000)

Cash flow from operations	1.1-31.12.2020	1.1-31.12.2019
Profit (loss) before extraordinary items	-604.7	126.6
Depreciation and amortisation according to plan	449.2	415.6
Other income and expenses excluding payment	0.0	321.3
Financial income and expenses	1208.6	1520.8
Cash flow before change in working capital	1053.1	2384.4
Change in net working capital		
Increase (-)/decrease(+) in short-term non-interest-bearing receivables	1099.8	-739.0
Increase (-)/decrease(+) in short-term non-interest-bearing debts	-159.0	257.6
Cash flow from business operations before financial items and taxes	1993.9	1903.0
Interest paid and payments made for other financial expenditure	-1232.4	-1541.1
Interest on business operations	23.8	15.1
Direct taxes paid	-33.4	-257.5
Cash flow from business operations (A)	751.9	119.4
Cash flow from investments		
Investments in tangible and intangible assets	-313.0	-645.8
Loans extended increase(-)/decrease(+)	6172.1	-7399.7
Cash flow from investments (B)	5859.1	-8045.5
Cash flow from financing activities		
Current loans increase(+)/decrease(-)	-5550.0	2895.0
Non-current loan increase(+)/decrease(-)	-1210.0	545.0
Paid dividends and other distribution of profit	0.0	-285.1
Translation difference	-3.7	5.2
Cash flow from financing activities (C)	-6763.7	3160.0
Change in cash and cash equivalents	-152.7	-4766.0
Cash and cash equivalents at the beginning of the financial year	3922.1	8688.1
Cash and cash equivalents at the end of the financial year	3769.3	3922.1
Difference in cash and cash equivalents	-152.7	-4766.0

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.

Foreing currency denominated items

Foreing 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	31.12.2020	31.12.2019
Interest income on loans	5 100 945.67	4 152 686.83
Other loan fees	5 968 759.97	10 041 051.41
Total	<u>11 069 705.64</u>	<u>14 193 738.24</u>

Notes on personnel	31.12.2020	31.12.2019
Average number of personnel	47	50
Wages and salaries	1 905 031.12	2 666 298.67
Pension expenses	270 990.31	344 908.17
Other non-wage payroll expenses	69 085.85	52 638.55
Capitalisation of personnel expenses	-196 410.47	-182 477.95
Total	<u>2 048 696.81</u>	<u>2 881 367.44</u>

Salaries and fees of the Board of Directors and the CEO	345 793.68	333 440.00
---	------------	------------

Depreciation, amortisation and impairment	31.12.2020	31.12.2019
Depreciation, amortisation according to plan		
On intangible assets	397 681.58	330 483.39
On tangible assets	41 169.10	60 331.62
On consolidated goodwill	10 339.94	24 816.24
Total	<u>449 190.62</u>	<u>415 631.25</u>
Auditor's fee		
Audit fees	28 219.30	32 339.20
Other services	0.00	0.00
Material amounts shown under prepayments and accrued income		
Accrued and matures interest income	604 709.64	328 738.84
Other prepayments and accrued income	152 160.70	205 756.71
Total prepayments and accrued income	<u>756 870.34</u>	<u>534 495.55</u>
Change in non-current assets		
Consolidated goodwill		
Acquisition cost at year start	124 081.02	124 081.02
Acquisition cost before planned depreciation	<u>124 081.02</u>	<u>124 081.02</u>
Accumulated planned depreciation at year start	-113 741.08	-88 924.84
Planned depreciation during the year	-10 339.94	-24 816.24
Accumulated planned depreciation at year end	<u>-124 081.02</u>	<u>-113 741.08</u>
Acquisition cost at year end	124 081.02	124 081.02
Accumulated planned depreciation at year end	-124 081.02	-113 741.08
Reducing balance after planned depreciation	<u>0.00</u>	<u>10 339.94</u>
Consolidated goodwill reducing balance at year end	0.00	10 339.94

Intangible assets	31.12.2020	31.12.2019
Computer software		
Acquisition cost at year start	1 221 482.23	1 039 004.28
Increase during the year	240 251.29	182 477.95
Acquisition cost before planned depreciation	1 461 733.52	1 221 482.23
Accumulated planned depreciation at year start	-939 140.81	-788 562.00
Planned depreciation during the year	-168 549.73	-150 578.81
Accumulated planned depreciation at year end	-1 107 690.54	-939 140.81
Acquisition cost at year end	1 461 733.52	1 221 482.23
Accumulated planned depreciation at year end	-1 107 690.54	-939 140.81
Reducing balance after planned depreciation	354 042.98	282 341.42
Computer software reducing balance at year end	354 042.98	282 341.42
Other capitalised long-term expenditure		
Acquisition cost at year start	1 098 479.08	630 776.39
Increase during the year	121 223.63	467 702.69
Acquisition cost before planned depreciation	1 219 702.71	1 098 479.08
Accumulated planned depreciation at year start	-479 287.78	-260 784.72
Planned depreciation during the year	-314 791.76	-218 503.06
Accumulated planned depreciation at year end	-794 079.54	-479 287.78
Acquisition cost at year end	1 219 702.71	1 098 479.08
Accumulated planned depreciation at year end	-794 079.54	-479 287.78
Reducing balance after planned depreciation	425 623.17	619 191.30
Reducing balance of other capitalised long-term expenditure at year end	425 623.17	619 191.30
Carrying amount of intangible assets at year end	779 666.15	911 872.66

Tangible assets	31.12.2020	31.12.2019
Machinery and equipment		
Acquisition cost at year start	306 761.42	288 801.82
Increases during the year	4 120.22	17 959.60
Decreases during the year	-42 250.00	0.00
Acquisition cost before planned depreciation	268 631.64	306 761.42
Accumulated planned depreciation at year start	-157 916.06	-97 584.44
Planned depreciation during the year	-41 169.10	-60 331.62
Accumulated planned depreciation at year end	-199 085.16	-157 916.06
Acquisition cost at year end	268 631.64	306 761.42
Accumulated planned depreciation at year end	-199 085.16	-157 916.06
Reducing balance after planned depreciation	69 546.48	148 845.36
Carrying amount of tangible assets at year end	69 546.48	148 845.36
De minimis purchases recognised as costs for the financial year	7 984.11	33 039.57

Notes concerning the shareholder's equity and liabilities in the balance sheet

Statement of changes in the shareholders' equity	31.12.2020	31.12.2019
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	13 360 661.05	13 039 361.06
Shares subscribed with options	0.00	321 300.00
Distribution of dividends	0.00	-285 145.00
Retained earnings (loss)	1 002 326.00	1 362 810.28
Profit for the year	-880 032.52	-69 108.68
Total unrestricted equity	13 482 954.53	14 369 217.66
Total shareholders' equity	13 607 954.53	14 494 217.66

Material amounts shown under accruals and deferred income	31.12.2020	31.12.2019
Accrual of opening fees	3 488.84	8 760.33
Holiday pay liability inclusive of social security charges	291 162.31	263 879.07
Other personnel costs	34 327.79	28 955.81
Income taxes	241 886.92	0.00
Other accruals and deferred income	294 686.82	414 894.50
	<u>865 552.68</u>	<u>716 489.71</u>

Guarantees and contingent liabilities

Other financial liabilities not recognised in the balance sheet	31.12.2020	31.12.2019
Lease liabilities Maturing during the year	52 262.53	49 357.91
Off-balance sheet assets managed by the Group	31.12.2020	31.12.2019
Customer assets on bank accounts (€1 000)	17 361.1	15 781.3
Open loan principal (€1 000)	88 672.0	109 850.7

Parent company income statement

INCOME STATEMENT	1.1-31.12.2020	1.1-31.12.2019
TURNOVER	5 590 373.68	8 433 207.59
Other operating income	131 327.55	148 921.46
Materials and services		
External services	-1 845 295.34	-3 536 814.05
	<u>-1 845 295.34</u>	<u>-3 536 814.05</u>
Personnel expenses		
Wages and salaries	-1 646 602.17	-2 490 319.32
Pension expenses	-240 288.52	-316 384.23
Other non-wage payroll expenses	-48 347.71	-44 640.49
	<u>-1 935 238.40</u>	<u>-2 851 344.04</u>
Depreciation, amortisation and impairment		
Depreciation, amortisation according to plan	-438 850.68	-390 815.01
Other operating costs	-1 628 621.79	-1 193 353.20
OPERATING PROFIT/LOSS	-126 519.89	609 802.75
Financial income and expenses		
Other interest and financial income		
From Group companies	983 042.93	629 275.27
From others	1 690.00	5 285.71
Interest and other financial expenses		
To others	-730 823.08	-493 034.96
	<u>253 909.85</u>	<u>141 526.02</u>
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES	127 389.96	751 328.77
Income taxes	-33 029.98	-154 496.71
PROFIT/LOSS FOR THE YEAR	94 359.98	596 832.06

Parent company balance sheet

BALANCE SHEET	31.12.2020	31.12.2019
ASSETS		
NON-CURRENT ASSETS		
Intangible assets		
Other capitalised long-term expenditure	779 666.15	901 532.72
	<u>779 666.15</u>	<u>901 532.72</u>
Tangible assets		
Machinery and equipment	69 546.48	148 845.36
Investments		
Participations in Group companies	3 760 393.95	3 760 393.95
TOTAL NON-CURRENT ASSETS	4 609 606.58	4 810 772.03
CURRENT ASSETS		
Receivables		
Non-current		
Loan receivables from Group undertakings	17 022 700.00	17 015 000.00
Current		
Trade receivables	66 846.34	86 068.75
Receivables from Group undertakings	737 306.60	149 130.74
Other receivables	452 462.21	150 119.20
Prepayments and accrued income	115 101.36	162 463.61
	<u>1 371 716.51</u>	<u>547 782.30</u>
Cash and cash equivalents	3 143 575.12	3 726 133.59
	<u>3 143 575.12</u>	<u>3 726 133.59</u>
TOTAL CURRENT ASSETS	21 537 991.63	21 288 915.89
TOTAL ASSETS	26 147 598.21	26 099 687.92

Parent company balance sheet

BALANCE SHEET	31.12.2020	31.12.2019
SHAREHOLDERS' EQUITY AND LIABILITIES		
SHAREHOLDERS' EQUITY		
Share capital	125 000.00	125 000.00
Invested unrestricted equity reserve	13 360 661.05	13 360 661.05
Retained earnings/loss	708 993.13	397 306.06
Distribution of dividends	0.00	-285 145.00
Profit/loss for the year	94 359.97	596 832.07
TOTAL SHAREHOLDERS' EQUITY	14 289 014.15	14 194 654.18
LIABILITIES		
Non-current		
Bonds	11 100 000.00	11 100 000.00
Current		
Trade payables	226 201.56	295 820.16
Other liabilities	10 232.36	18 432.71
Accruals and deferred income	522 150.14	490 780.87
	<u>758 584.06</u>	<u>805 033.74</u>
TOTAL LIABILITIES	758 584.06	805 033.74
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	26 147 598.21	26 099 687.92

Parent company cash flow statement (€1 000)

Cash flow from operations (€ 1 000)	1.1-31.12.2020	1.1-31.12.2019
Profit (loss) before appropriations and taxes	127.4	751.3
Depreciation and amortisation according to plan	438.9	390.8
Financial income and expenses	-253.9	-141.5
Cash flow before change in working capital	<u>312.3</u>	<u>1 000.6</u>
Change in net working capital		
Increase (-)/decrease(+) in short-term non-interest-bearing receivables	-836.6	692.0
Increase (-)/decrease(+) in short-term non-interest-bearing debts	-46.4	-39.5
Cash flow from business operations before financial items and taxes	<u>-570.8</u>	<u>1 653.0</u>
Interest paid and payments made for other financial expenditure	-730.8	-493.0
Interest on business operations	984.7	634.6
Direct taxes paid	-20.3	-172.8
Cash flow from business operations (A)	<u>-337.2</u>	<u>1 621.8</u>
Cash flow from investments		
Investments in tangible and intangible assets	-237.7	-629.5
Approved loans	-7.7	-17 015.0
Investment in other securities	0.0	-2.5
Cash flow from investments (B)	<u>-245.4</u>	<u>-17 647.0</u>
Cash flow from financing activities		
Chargeable addition of own equity	0.0	321.3
Withdrawals of non-current loans	0.0	11 100.0
Paid dividends and other distribution of profit	0.0	-285.1
Cash flow from financing activities (C)	<u>0.0</u>	<u>11 136.2</u>
Change in cash and cash equivalents	-582.6	-4 889.1
Cash and cash equivalents at the beginning of the financial year	3 726.1	8 615.3
Cash and cash equivalents at the end of the financial year	3 143.6	3 726.1

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 a payment is no longer expected to accrue in respect of these receivables is 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 previous financial periods

Extraordinary expenses of EUR 699 166.75 were accounted to the personnel expenses in 2019.

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	31.12.2020	31.12.2019
Interest income on loans	2 067 702.24	4 511 648.99
Other loan fees	3 522 671.44	3 921 558.60
Total	<u>5 590 373.68</u>	<u>8 433 207.59</u>

Notes on personnel	31.12.2020	31.12.2019
Average number of personnel	42	49
Wages and salaries	1 808 616.92	2 640 841.43
Pension expenses	270 990.31	344 908.17
Other non-wage payroll expenses	52 041.64	48 072.39
Capitalisation of personnel expenses	-196 410.47	-182 477.95
Total	<u>1 935 238.40</u>	<u>2 851 344.04</u>
Salaries and fees of the Board of Directors and the CEO	345 793.68	333 440.00

Depreciation, amortisation and impairment **31.12.2020** **31.12.2019**

Depreciation, amortisation according to plan

On intangible assets	397 681.58	330 483.39
On tangible assets	41 169.10	60 331.62
Total	<u>438 850.68</u>	<u>390 815.01</u>

Auditor's fee **31.12.2020** **31.12.2019**

Audit fees	22 406.80	26 718.90
Other services	0.00	0.00

Notes concerning the assets in the balance sheet

Itemisation of investments **Holding (%)** **Capitalised value**

In Group companies

Lainaamo Oy	100 %	3 711 200.00
Fellow Finance Sp. z o.o.	100 %	46 693.95
Fellow Finance Estonia OÜ	100 %	2 500.00
Total investment shares		<u>3 760 393.95</u>

Material amounts shown under other receivables **31.12.2020** **31.12.2019**

Peer-to-peer loan fees	379 999.67	125 646.18
Tax refund receivables	62 479.09	18 320.52
Security deposits	362.75	0.00
Lunch vouchers	9 590.70	6 152.50
Other receivables	<u>452 432.21</u>	<u>150 119.20</u>

Material amounts shown under prepayments and accrued income **31.12.2020** **31.12.2019**

Insurance payment fees	87 407.29	85 304.34
Other prepayments and accrued income	27 694.07	77 159.27
Total prepayments and accrued income	<u>115 101.36</u>	<u>162 463.61</u>

Receivables from Group undertakings **31.12.2020** **31.12.2019**

Trade receivables	734 806.60	96 630.74
Loan receivables	0.00	50 000.00
Other receivables	2 500.00	2 500.00
	<u>737 306.60</u>	<u>149 130.74</u>

Change in non-current assets

Changes in investments **31.12.2020** **31.12.2019**

Shares in Group companies

Acquisition cost at year start	3 760 393.95	3 757 893.95
Increases during the year	0.00	2 500.00
Decreases during the year	0.00	0.00
Acquisition cost at year end	<u>3 760 393.95</u>	<u>3 760 393.95</u>

Intangible assets **31.12.2020** **31.12.2019**

Computer software

Acquisition cost at year start	839 937.64	657 459.69
Increases during the year	<u>240 251.29</u>	<u>182 477.95</u>
Acquisition cost before planned depreciation	1 080 188.93	839 937.64

Accumulated planned depreciation at year start	-557 596.22	-407 017.41
Planned depreciation during the year	<u>-168 549.73</u>	<u>-150 578.81</u>
Accumulated planned depreciation at year end	<u>-726 145.95</u>	<u>-557 596.22</u>

Acquisition cost at year end	1 080 188.93	839 937.64
Accumulated planned depreciation at year end	<u>-726 145.95</u>	<u>-557 596.22</u>
Reducing balance after planned depreciation	<u>354 042.98</u>	<u>282 341.42</u>

Reducing balance at year end **354 042.98** **282 341.42**

Other capitalised long-term expenditure

Acquisition cost at year start	1 098 479.08	630 776.39
Increase during the year	<u>121 223.63</u>	<u>467 702.69</u>
Acquisition cost before depreciation at year end	<u>1 219 702.71</u>	<u>1 098 479.08</u>

Accumulated planned depreciation at year start	-479 287.78	-260 784.72
Planned depreciation during the year	<u>-314 791.76</u>	<u>-218 503.06</u>
Accumulated planned depreciation at year end	<u>-794 079.54</u>	<u>-479 287.78</u>

Acquisition cost at year end	1 219 702.71	1 098 479.08
Accumulated planned depreciation at year end	<u>-794 079.54</u>	<u>-479 287.78</u>
Reducing balance after planned depreciation	<u>425 623.17</u>	<u>619 191.30</u>

Reducing balance of other capitalised long-term expenditure at year end **425 623.17** **619 191.30**

Carrying amount of intangible assets at year end **779 666.15** **901 532.72**

Tangible assets **31.12.2020** **31.12.2019**

Machinery and equipment

Acquisition cost at year start	281 912.60	263 953.00
Increases during the year	4 120.22	17 959.60
Decreases during the year	-42 250.00	0.00
Acquisition cost before planned depreciation	<u>243 782.82</u>	<u>281 912.60</u>

Accumulated planned depreciation at the year start	-133 067.24	-72 735.62
Planned depreciation during the year	<u>-41 169.10</u>	<u>-60 331.62</u>
Accumulated planned depreciation at the year end	<u>-174 236.34</u>	<u>-133 067.24</u>

Acquisition cost at year end	243 782.82	281 912.60
Accumulated planned depreciation at year end	<u>-174 236.34</u>	<u>-133 067.24</u>
Reducing balance after planned depreciation	<u>69 546.48</u>	<u>148 845.36</u>

Carrying amount of tangible assets at year end	69 546.48	148 845.36
De minimis purchases recognised as costs for the financial year	7 993.93	30 013.45

Notes concerning the shareholder's equity and liabilities in the balance sheet

Statement of changes in the shareholders' equity	31.12.2020	31.12.2019
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 reser	13 360 661.05	13 039 361.05
Shares subscribed with options	0.00	321 300.00
Distribution of dividends	708 993.13	397 306.06
Retained earnings (loss)	0.00	-285 145.00
Profit for the year	<u>94 359.97</u>	<u>596 832.07</u>
Total unrestricted equity	14 164 014.15	14 069 654.18
Total shareholders' equity	<u>14 289 014.15</u>	<u>14 194 654.18</u>

Statement of distributable funds in shareholders' equity

	31.12.2020	31.12.2019
Retained earnings	708 993.13	112 161.06
Paid-up unrestricted equity reserve	13 360 661.05	13 360 661.05
Profit for the year	94 359.97	596 832.07
Total distributable funds	<u>14 164 014.15</u>	<u>14 069 654.18</u>

Material amounts shown under accruals and deferred income

	31.12.2020	31.12.2019
Holiday pay liability inclusive of social security charges	291 162.31	263 879.07
Other personnel costs	28 523.06	24 724.39
Other accruals and deferred income	<u>202 464.77</u>	<u>202 177.41</u>
	<u>522 150.14</u>	<u>490 780.87</u>

Structural and financial arrangements

Granting of stock options

The Board of Directors of Fellow Finance has decided to launch a new key employee stock option plan 2020. There is a significant financial reason for Fellow Finance to issue option rights because they operate as a crucial part of the incentive and commitment program for key employees. The option rights are intended to encourage the key personnel to work diligently in long-term to increase the shareholder value. The option rights are also used to commit the key employees to the employer. The total number of stock options is a maximum of 358 681 and they are given without payment.

The option rights entitle their holders to subscribe a maximum of 358 681 new shares of the company or shares held by the company. The proportion of shares subscribed for with the option rights issued at this time is a maximum of 5% of all the shares of the company and the votes of the shares of the company based on the situation at the date of 20.10.2020, if the share subscription concerns new shares. The share subscription period for the option rights shall be from 1 March 2024 till 1 May 2025. The share subscription price of the option rights is 3.75€, which is approximately 30% above the closing price on 19 October 2020. The share subscription price shall be credited to the reserve for invested unrestricted equity.

The Board of Directors decided on the new stock option plan based on the authorization granted by the company's Annual General Meeting of Shareholders held on 17 June, 2020. The target group of the stock option plan includes in total less than 15 key employees and the option rights are not given to the board members of the company.

Procuring own shares

The Annual General Meeting resolved, in accordance with the proposal of the Board of Directors, to authorize the Board of Directors to decide on the repurchase of the company's own shares in one or more tranches using the company's unrestricted equity as follows. The maximum number of shares to be repurchased is 100,000. The shares will be repurchased otherwise than in proportion to the holdings of the shareholders in public trading on the Nasdaq Helsinki Ltd at the market price at the time of acquisition. The authorization is valid until the end of the next Annual General Meeting, but no later than June 30, 2021. The previous Board authorization expires on June 17, 2020.

Specific rights

The Annual General Meeting resolved, in accordance with the proposal of the Board of Directors, to authorize the Board of Directors to decide on the issue of shares and the granting of special rights to shares referred to in Chapter 10, paragraph 1 of the Companies Act. The total number of shares to be issued, including the shares to be acquired on the basis of special rights, may not exceed 400,000 shares. The Board of Directors may decide to issue either new shares or treasury shares held by the company. The proposed maximum number of authorizations corresponds to approximately 5,6% of the total number of shares in the company, as of the date of the notice of the meeting. The authorization is valid until the end of the next Annual General Meeting, but no later than June 30, 2021.

Guarantees and contingent liabilities

Other financial liabilities not recognised in the balance sheet

Rent and leasing liabilities	31.12.2020	31.12.2019
maturing during the year	52 262.53	49 357.91

Holdings in other companies

Company name	Registered office	Share of ownership
Lainaamo Oy	Helsinki, Finland	100 %
Fellow Finance Sp. z o.o.	Gdansk, Poland	100 %
Fellow Finance Estonia OÜ	Tallinn, Estonia	100 %
Fellow Finance Česko s.r.o.	Prague, Czech Republic	100 %

Share capital of the company

The company's shares are quoted on the Nasdaq First North Growth Market Finland under the trading code FELLOW

	31.12.2020	31.12.2019
No. of shares (FELLOW)	7.173.625 kpl	7.173.625 kpl
Total	7.173.625 kpl	7.173.625 kpl

Each share carries one vote at a General Meeting of Shareholders

Off-balance sheet assets managed by the company	31.12.2020	31.12.2019
Customer assets on bank accounts (€ 1 000)	17 361.1	15 781.3
Open loan principal (€ 1 000)	115 068.3	138 988.6

Signatures to the financial statements

Helsinki on 23 February, 2021

Teemu Nyholm
CEO

Kai Myllyneva
Chairman of the Board

Jorma Alanne
Standing member of the Board

Harri Tilev
Standing member of the Board

Esa Laurila
Standing member of the Board

Auditor's note

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

Helsinki, _____, _____.2021

Timo Helle, APA

AUDITOR'S REPORT (Translation of Finnish original)

To the Annual General Meeting of Fellow Finance Oyj

Report of the Audit of Financial Statements

Opinion

I have audited the financial statements of Fellow Finance Oyj (business identity code 2568782-2) for the year ended 31 December, 2020. The financial statements comprise the balance sheet, income statement, cash flow statement and notes.

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

Basis for Opinion

I conducted my audit in accordance with good auditing practice in Finland. My responsibilities under good auditing practice are further described in the *Auditor's Responsibilities for the Audit of Financial Statements* section of my report. I am independent of the company in accordance with the ethical requirements that are applicable in Finland and are relevant to my audit, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

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

Auditor's Responsibilities in the Audit of Financial Statements

My objectives are to obtain reasonable assurance on 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 can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the 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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director'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 company'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 company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

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 Managing Director are responsible for the other information. The other information comprises information included in 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 information included in the report of the Board of Directors and, in doing so, consider whether the information included in the report of the Board of Directors is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. 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 information included in the report of the Board of Directors, I am required to report this fact. I have nothing to report in this regard.

In Helsinki, 23 February 2021

Timo Helle

Authorized Public Accountant (KHT)