

Fellow Finance Plc
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FELLOW FINANCE

Fellow Finance Plc

Financial statements

1 January – 31 December 2017

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The balance sheet book must be retained at least until 31 December 2027.
Vouchers for the financial year must be retained at least until 31 December 2023.

Report of the Board of Directors of Fellow Finance Plc

Fellow Finance Group

Fellow Finance Plc is a public limited liability company established in 2013 that provides crowdfunding and peer-to-peer loan services. The Fellow Finance Group consists of the parent company Fellow Finance Plc and its wholly-owned subsidiaries Lainaamo Oy, P2P Sverige Ab and Fellow Finance Sp. z o.o.

The Financial Supervisory Authority issued Fellow Finance Plc a payment institution licence in December 2017.

Fellow Finance Plc and Lainaamo Oy have also been registered in the peer-to-peer loan intermediary and creditor registers maintained by the Regional State Administrative Agency for Southern Finland. Additionally, Fellow Finance Plc has been issued a credit intermediation licence (Kreditvermittlungslizenz) in Germany. Fellow Finance Sp. z o.o. commenced peer-to-peer loan intermediation operations in Poland in 2016. P2P Sverige Ab had no business operations during the financial year.

Significant events during the financial year

Fellow Finance's business operations and the number of mediated loans continued to grow substantially in 2017. During the financial year, the company mediated consumer and corporate loans in the amount of EUR 99.2 million (+120%), while the number of loan applicants grew by 140% from 2016. Measured by the number of mediated loans, Fellow Finance is the largest crowdfunding and peer-to-peer loan service in the Nordic countries (AltFi Data). During the financial year, Fellow Finance opened its service for consumers in Germany, and the Financial Supervisory Authority issued Fellow Finance Plc with a payment institution licence as the first company providing crowdfunding and peer-to-peer loan services in Finland. During the financial year, Fellow Finance also expanded its operations to short-term corporate financing (invoice financing) and insurance brokerage by offering loan security insurance for its consumer customers.

Assessment of financial position and performance

The turnover of the Fellow Finance Group grew by 55% on the previous financial year to EUR 8.7 (5.6) million, and the consolidated operating profit amounted to EUR 2.5 (0.9) million. The parent company's turnover grew by 67% on the previous financial year to EUR 5.3 (3.2) million, and the consolidated operating profit amounted to EUR 808,000 (-53,000). Despite the growth, the growth in the number of the company's personnel was modest. The increase in the number of personnel mainly pertained to the customer service of the new countries and services that were opened.

Key financial indicators for the parent

company:	2017	2016	2015
Turnover (EUR thousands)	5,318.8	3,177.6	1,519.5
Operating profit (EUR thousands)	808.3	-52.7	-338.5
Operating margin	15.2%	-1.7%	-22.3%
Return on equity	29.0%	0.4%	-6.9%
Equity ratio	86.0%	85.7%	93.2%
Number of personnel (on average)	22	15	6
Wages and salaries during the period (EUR thousands)	924.8	618.5	250.8

Key financial indicators for the Group:

	2017	2016	2015
Turnover (EUR thousands)	8,655.7	5,592.2	4,005.3
Operating profit (EUR thousands)	2,493.0	918.0	1,291.3
Operating margin	28.8%	16.4%	32.2%
Return on equity	29.8%	2.4%	9.2%
Equity ratio	19.1%	18.1%	19.4%

Number of personnel (on average)	22	15	8
Wages and salaries during the period (EUR thousands)	924.8	618.5	282.8

Assessment of principal risks and uncertainties

The company's Board of Directors is responsible for the proper arrangement of risk management and internal control. Responsibility for the execution of risk management rests with the CEO. The objective of the company's risk management is to support the undisturbed execution of its strategy and revenue generation and to ensure that the risks associated with the company's operations are duly identified, assessed and addressed where necessary.

The parent company Fellow Finance Plc is not exposed to any significant financing i.e. credit, market or liquidity risks. As a company providing, developing and maintaining 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 outside experts where necessary. Fellow Finance is dependent on the professional competence of its key individuals and their commitment to the company. Reputation risk 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: operating practices in the processes and guidelines, training, reporting and supervision, regular self-assessment and regular review and development of business processes.

Board of Directors, CEO and auditors

The members of the company's Board of Directors were Karri Haaparinne as the Chairman and Teemu Nyholm, Jouni Hintikka, Harri Tilev, Pontus Oinonen and Pekka Samuelsson as standing members.

Serving as the company's auditor is Timo Helle, APA.

Jouni Hintikka served as the company's CEO during the current financial year.

Share capital and shares

The company's share capital is EUR 125,000 and the number of shares is 232,705 shares.

Board of Directors' proposal for the distribution of profit

According to the financial statements of 31 December 2017, the distributable shareholders' equity of the parent company Fellow Finance Plc is EUR 3,057,854.34. The Board of Directors proposes that EUR 2.20 per share, i.e. EUR 511,951.00, be paid out as dividend of the profit for the financial year (EUR 807,012.00) and the rest be carried over to the retained earnings and loss account.

Major post-year developments

Since the end of the financial year, the company has continued with its service development, the objective of which is to increase its operational and technological advantage over competing European crowdfunding and peer-to-peer loan services and to expand its business operations to new countries during 2018.

Assessment of likely future development

The company expects to outgrow the crowdfunding and peer-to-peer loan markets in 2018 and to strengthen its market position in its chosen markets. The company will continue to make significant investments in the development of its service and in increasing its recognition.

Information on the scope and extent of the research and development activities

The company has no research and development activities.

Consolidated income statement

INCOME STATEMENT	1 Jan – 31 Dec 2017	1 Jan – 31 Dec 2016
TURNOVER	8 655 681,81	5 592 185,36
Other operating income	9 000,00	9 504,00
Materials and services		
External services	<u>-2 976 034,78</u>	<u>-1 930 812,20</u>
	-2 976 034,78	-1 930 812,20
Personnel expenses		
Wages and salaries	-846 815,47	-618 504,71
Pension expenses	-157 737,39	-120 895,85
Other non-wage payroll expenses	<u>-26 421,76</u>	<u>-28 380,17</u>
	-1 030 974,62	-767 780,73
Depreciation, amortisation and impairment		
Depreciation and amortisation according to plan	-349 822,01	-313 756,65
Depreciation on consolidated goodwill	<u>-24 816,24</u>	<u>-24 816,24</u>
	-374 638,25	-338 572,89
Other operating costs	-1 790 057,40	-1 646 557,69
OPERATING PROFIT/LOSS	2 492 976,76	917 965,85
Financial income and expenses		
Other interest and financial income		
From others	3 211,99	34,85
Interest and other financial expenses		
To others	<u>-1 278 033,30</u>	<u>-775 451,76</u>
	-1 274 821,31	-775 416,91
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES	1 218 155,45	142 548,94
Income taxes	-134 460,45	-68 165,01
PROFIT/LOSS FOR THE YEAR	1 083 695,00	74 383,93

Consolidated balance sheet

BALANCE SHEET	31.12.2017	31.12.2016
ASSETS		
NON-CURRENT ASSETS		
Intangible assets		
Development costs	0,00	13 909,11
Other capitalised long-term expenditure	380 436,40	522 389,72
Goodwill	59 972,42	84 788,66
	<u>440 408,82</u>	<u>621 087,49</u>
Tangible assets		
Machinery and equipment	46 272,70	72 042,01
TOTAL NON-CURRENT ASSETS	486 681,52	693 129,50
CURRENT ASSETS		
Receivables		
Non-current		
Loan receivables	13 471 281,53	8 958 470,57
Current		
Trade receivables	112 049,99	133 536,81
Loan receivables	4 616 698,80	3 103 165,77
Other receivables	1 182 182,74	1 810 498,29
Prepayments and accrued income	267 050,28	187 224,67
	<u>6 177 981,81</u>	<u>5 234 425,54</u>
Cash and cash equivalents	2 548,40	5 662,00
Cash in hand and at banks	1 751 800,22	2 217 325,35
	<u>1 754 348,62</u>	<u>2 222 987,35</u>
TOTAL CURRENT ASSETS	21 403 611,96	16 415 883,46
TOTAL ASSETS	21 890 293,48	17 109 012,96

Consolidated balance sheet

BALANCE SHEET	31.12.2017	31.12.2016
SHAREHOLDERS' EQUITY AND LIABILITIES		
SHAREHOLDERS' EQUITY		
Share capital	125 000,00	125 000,00
Invested unrestricted equity reserve	2 977 540,00	2 977 540,00
Retained earnings/loss	-10 308,32	-79 654,68
Profit/loss for the year	1 083 695,00	74 383,93
TOTAL SHAREHOLDERS' EQUITY	4 175 926,68	3 097 269,25
LIABILITIES		
Non-current		
Loans from financial institutions	5 300 000,00	4 600 000,00
Other liabilities	11 245 000,00	8 735 000,00
	<u>16 545 000,00</u>	<u>13 335 000,00</u>
Current		
Loans from financial institutions	0,00	0,00
Trade payables	322 509,15	226 259,50
Other liabilities	477 598,32	47 254,52
Accruals and deferred income	369 259,33	403 229,69
	<u>1 169 366,80</u>	<u>676 743,71</u>
TOTAL LIABILITIES	17 714 366,80	14 011 743,71
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	21 890 293,48	17 109 012,96

Consolidated cash flow statement (€1,000)

Cash flow from operations

1 Jan – 31 Dec 2017 Jan – 31 Dec 2016

Profit (loss) before extraordinary items	1 218,2	142,5
Depreciation and amortisation according to plan	374,6	338,6
Financial income and expenses	1 274,8	775,4
Cash flow before change in working capital	2 867,6	1 256,5
Change in net working capital		
Increase (-)/decrease (+) in short-term non-interest-bearing receivables	570,0	-1 091,9
Increase (+)/decrease (-) in short-term non-interest-bearing debts	107,2	-128,1
Cash flow from business operations before financial items and taxes	3 544,8	36,5
Interest paid and payments made for other financial expenditure	-1 278,0	-775,5
Interest on business operations	3,2	0,0
Direct taxes paid	-149,1	-66,5
Cash flow from business operations (A)	2 120,9	-805,4
Cash flow from investments		
Investments in tangible and intangible assets	-168,2	-166,4
Loans extended increase(-)/decrease(+)	-6 026,3	30,0
Cash flow from investments (B)	-6 194,5	-136,4
Cash flow from financing activities		
Share issue subject to a charge		
Repayments of current loans		-5 200,0
Withdrawals of non-current loans	4 010,0	6 785,0
Repayments of non-current loans	-400,0	
Translation difference	-5,0	-1,1
Cash flow from financing activities (C)	3 605,0	1 583,9
Change in cash and cash equivalents	-468,6	642,0
Cash and cash equivalents at the beginning of the financial year	2 223,0	1 580,9
Cash and cash equivalents at the end of the financial year	1 754,3	2 223,0

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.

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
Development costs	4 years	25 %	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	31.12.2017	31.12.2016
Interest income on loans	2 680 437,67	2 001 612,31
Other loan fees	5 975 244,14	3 590 573,05
Total	<u>8 655 681,81</u>	<u>5 592 185,36</u>

Notes on personnel	31.12.2017	31.12.2016
Average number of personnel	22	15
Wages and salaries	924 792,20	618 504,71
Pension expenses	172 475,00	120 895,85
Other non-wage payroll expenses	28 605,11	28 380,17
Capitalisation of personnel expenses	-94 897,69	
Total	<u>1 030 974,62</u>	<u>767 780,73</u>

Salaries and fees of the Board of Directors and the CEO:	187 800,00	163 398,00
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Depreciation, amortisation and impairment	31.12.2017	31.12.2016
Depreciation and amortisation according to plan		
On intangible assets	320 030,70	292 640,43
On tangible assets	29 791,31	21 116,22
On consolidated goodwill	24 816,24	24 816,24
Total	<u>374 638,25</u>	<u>338 572,89</u>
Other operating costs		
Travel and other personnel costs	68 730,27	41 242,33
Entertainment and marketing costs	184 167,36	358 920,41
Office facility and furniture costs	300 814,47	266 427,35
Other operating costs	1 236 345,30	979 967,60
Total	<u>1 790 057,40</u>	<u>1 646 557,69</u>
Auditor's fee		
Audit fees	14 056,64	10 470,25
Material amounts shown under prepayments and accrued income		
Accrued and matured interest income	169 658,77	123 910,63
Other prepayments and accrued income	97 391,51	63 314,04
Total prepayments and accrued income	<u>267 050,28</u>	<u>187 224,67</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	-39 292,36	-14 476,12
Planned depreciation during the year	-24 816,24	-24 816,24
Accumulated planned depreciation at year end	<u>-64 108,60</u>	<u>-39 292,36</u>
Acquisition cost at year end	124 081,02	124 081,02
Accumulated planned depreciation at year end	-64 108,60	-39 292,36
Reducing balance after planned depreciation	<u>59 972,42</u>	<u>84 788,66</u>
Consolidated goodwill reducing balance at year end	59 972,42	84 788,66

Intangible assets:	31.12.2017	31.12.2016
Development costs		
Acquisition cost at year start	35 931,87	35 931,87
Acquisition cost before planned depreciation	35 931,87	35 931,87
Accumulated planned depreciation at year start	-22 022,76	-8 113,65
Planned depreciation during the year	-13 909,11	-13 909,11
Accumulated planned depreciation at year end	-35 931,87	-22 022,76
Acquisition cost at year end	35 931,87	35 931,87
Accumulated planned depreciation at year end	-35 931,87	-22 022,76
Reducing balance after planned depreciation	0,00	13 909,11
Reducing balance at year end	0,00	13 909,11
Computer software		
Acquisition cost at year start	716 699,14	614 073,98
Increases during the year	164 168,27	102 625,16
Acquisition cost before planned depreciation	880 867,41	716 699,14
Accumulated planned depreciation at year start	-322 694,31	-117 324,99
Planned depreciation during the year	-232 759,59	-205 369,32
Accumulated planned depreciation at year end	-555 453,90	-322 694,31
Acquisition cost at year end	880 867,41	716 699,14
Accumulated planned depreciation at year end	-555 453,90	-322 694,31
Reducing balance after planned depreciation	325 413,51	394 004,83
Computer software reducing balance at year end	325 413,51	394 004,83
Other capitalised long-term expenditure		
Acquisition cost at year start	220 087,39	220 087,39
Acquisition cost before planned depreciation	220 087,39	220 087,39
Accumulated planned depreciation at year start	-91 702,50	-18 340,50
Planned depreciation during the year	-73 362,00	-73 362,00
Accumulated planned depreciation at year end	-165 064,50	-91 702,50
Acquisition cost at year end	220 087,39	220 087,39
Accumulated planned depreciation at year end	-165 064,50	-91 702,50
Reducing balance after planned depreciation	55 022,89	128 384,89
Reducing balance of other capitalised long-term expenditure at year end	55 022,89	128 384,89
Carrying amount of intangible assets at year end	440 408,82	621 087,49

Tangible assets	31.12.2017	31.12.2016
Machinery and equipment		
Acquisition cost at year start	103 149,83	39 341,72
Increases during the year	<u>4 022,00</u>	<u>63 808,11</u>
Acquisition cost before planned depreciation	107 171,83	103 149,83
Accumulated planned depreciation at year start	-31 107,82	-9 991,60
Planned depreciation during the year	<u>-29 791,31</u>	<u>-21 116,22</u>
Accumulated planned depreciation at year end	-60 899,13	-31 107,82
Acquisition cost at year end	107 171,83	103 149,83
Accumulated planned depreciation at year end	<u>-60 899,13</u>	<u>-31 107,82</u>
Reducing balance after planned depreciation	46 272,70	72 042,01
Carrying amount of tangible assets at year end	46 272,70	72 042,01
De minimis purchases recognised as costs for the financial year	11 290,35	8 995,87

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

Statement of changes in the shareholders' equity	31.12.2017	31.12.2016
Restricted equity		
Share capital at year start	<u>125 000,00</u>	<u>125 000,00</u>
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 reserve	2 977 540,00	2 977 540,00
Retained losses	-10 308,32	-79 654,68
Profit for the year	<u>1 083 695,00</u>	<u>74 383,93</u>
Total unrestricted equity	<u>4 050 926,68</u>	<u>2 972 269,25</u>
Total shareholders' equity	<u>4 175 926,68</u>	<u>3 097 269,25</u>

Statement of distributable funds in shareholders' equity:

	31.12.2017	31.12.2016
Retained losses	-10 308,32	-79 654,68
Paid-up unrestricted equity reserve	2 977 540,00	2 977 540,00
Profit for the year	<u>1 083 695,00</u>	<u>74 383,93</u>
Total distributable funds	<u>4 050 926,68</u>	<u>2 972 269,25</u>

Material amounts shown under accruals and deferred income:	31.12.2017	31.12.2016
Accrual of opening fees	56 805,96	100 581,73
Holiday pay liability inclusive of social security charges	137 886,23	82 435,12
Other personnel costs	6 859,60	62 830,39
Income taxes	51 970,08	66 592,53
Other accruals and deferred income	115 737,46	90 789,92
	<u>369 259,33</u>	<u>403 229,69</u>

Guarantees and contingent liabilities:

Liabilities and guarantees by balance sheet item and type of guarar	31.12.2017	31.12.2016
Other receivables pledged rent deposit	12 138,56	12 107,77

Other financial liabilities not recognised in the balance sheet:

Lease liabilities maturing during the year	15 256,27	14 595,34
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Off-balance sheet assets managed by the Group

Customer assets on bank accounts (€1,000)	3 968,0	6 411,6
Open loan principal (€1,000)	53 353,8	29 020,9

Parent company income statement

INCOME STATEMENT	1 Jan – 31 Dec 2017	1 Jan – 31 Dec 2016
TURNOVER	5 318 793,25	3 177 558,16
Other operating income	164 445,97	292 801,31
Materials and services		
External services	<u>-2 654 648,89</u>	<u>-648 689,38</u>
	-2 654 648,89	-648 689,38
Personnel expenses		
Wages and salaries	-846 815,47	-618 504,71
Pension expenses	-157 737,39	-120 660,69
Other non-wage payroll expenses	<u>-26 421,76</u>	<u>-28 700,37</u>
	-1 030 974,62	-767 865,77
Depreciation, amortisation and impairment		
Depreciation and amortisation according to plan	-210 551,77	-174 486,33
Other operating costs	-778 718,13	-1 932 049,92
OPERATING PROFIT/LOSS	808 345,81	-52 731,93
Financial income and expenses		
Other interest and financial income		
From Group companies	29 484,65	65 393,25
From others	30,78	32,46
Interest and other financial expenses		
To others	<u>-616,16</u>	<u>-2 431,41</u>
	28 899,27	62 994,30
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES	837 245,08	10 262,37
Income taxes	-30 233,08	
PROFIT/LOSS FOR THE YEAR	807 012,00	10 262,37

Parent company balance sheet

BALANCE SHEET	31.12.2017	31.12.2016
ASSETS		
NON-CURRENT ASSETS		
Intangible assets		
Other capitalised long-term expenditure	298 771,02	324 880,39
	<u>298 771,02</u>	<u>324 880,39</u>
Tangible assets		
Machinery and equipment	46 009,93	62 262,06
Investments		
Participations in Group companies	763 293,87	763 293,87
TOTAL NON-CURRENT ASSETS	1 108 074,82	1 150 436,32
CURRENT ASSETS		
Receivables		
Current		
Trade receivables	39 260,93	17 801,09
Receivables from Group undertakings	393 831,23	110 465,78
Other receivables	526 243,42	408 284,85
Prepayments and accrued income	31 002,86	15 080,17
	<u>990 338,44</u>	<u>551 631,89</u>
Cash and cash equivalents	2 548,40	5 662,00
Cash in hand and at banks	1 598 353,12	1 066 019,92
	<u>1 600 901,52</u>	<u>1 071 681,92</u>
TOTAL CURRENT ASSETS	2 591 239,96	1 623 313,81
TOTAL ASSETS	3 699 314,78	2 773 750,13

Parent company balance sheet

BALANCE SHEET	31.12.2017	31.12.2016
SHAREHOLDERS' EQUITY AND LIABILITIES		
SHAREHOLDERS' EQUITY		
Share capital	125 000,00	125 000,00
Invested unrestricted equity reserve	2 977 540,00	2 977 540,00
Retained earnings/loss	-726 697,66	-736 960,03
Profit/loss for the year	807 012,00	10 262,37
TOTAL SHAREHOLDERS' EQUITY	3 182 854,34	2 375 842,34
LIABILITIES		
Current		
Trade payables	211 473,77	157 372,01
Other liabilities	29 564,85	20 078,60
Accruals and deferred income	275 421,82	220 457,18
	<u>516 460,44</u>	<u>397 907,79</u>
TOTAL LIABILITIES	516 460,44	397 907,79
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	3 699 314,78	2 773 750,13

Parent company cash flow statement

Cash flow from operations (€1,000)

1 Jan – 31 Dec 2017 Jan – 31 Dec 2016

Profit (loss) before appropriations and taxes	837,2	10,3
Depreciation and amortisation according to plan	210,6	174,5
Financial income and expenses	-28,9	-63,0
Cash flow before change in working capital	<u>1018,9</u>	<u>121,8</u>
Change in net working capital		
Increase (-)/decrease (+) in short-term non-interest-bearing receivables	-438,7	-190,9
Increase (+)/decrease (-) in short-term non-interest-bearing debts	88,3	224,9
Cash flow from business operations before financial items and taxes	<u>668,5</u>	<u>155,8</u>
Interest paid and payments made for other financial expenditure	-0,6	-2,4
Interest on business operations	29,5	65,4
Cash flow from business operations (A)	<u>697,4</u>	<u>218,8</u>
Cash flow from investments		
Investments in tangible and intangible assets	-168,2	-166,4
Investments in other securities	0,0	-52,1
Cash flow from investments (B)	<u>-168,2</u>	<u>-218,5</u>
Cash flow from financing activities		
Share issue subject to a charge	0,0	0,0
Cash flow from financing activities (C)	<u>0,0</u>	<u>0,0</u>
Change in cash and cash equivalents	529,2	0,2
Cash and cash equivalents at the beginning of the financial year	1071,7	1071,4
Cash and cash equivalents at the end of the financial year	1600,9	1071,7

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 expected any longer to accrue in respect of these receivables is based on prior experience and actual performance.

Notes to the income statement

Comparability of the financial statements

In financial year 2016, some of the variable costs of credit intermediation were presented under Other operating expenses. In financial year 2017, all variable costs related to credit intermediation are presented under Materials and services.

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	31.12.2017	31.12.2016
Loan opening fees	3 464 439,55	1 958 306,73
Other fees	1 854 353,70	1 219 251,43
Total	<u>5 318 793,25</u>	<u>3 177 558,16</u>

Notes on personnel	31.12.2017	31.12.2016
Average number of personnel	22	15
Wages and salaries	924 792,20	618 504,71
Pension expenses	172 475,00	120 660,69
Other non-wage payroll expenses	28 605,11	28 700,37
Capitalisation of personnel expenses	-94 897,69	
Total	<u>1 030 974,62</u>	<u>767 865,77</u>

Salaries and fees of the Board of Directors and the CEO:	187 800,00	163 398,00
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Depreciation, amortisation and impairment	31.12.2017	31.12.2016
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Depreciation and amortisation according to plan

On intangible assets	190 277,64	162 887,31
On tangible assets	20 274,13	11 599,02
Total	<u>210 551,77</u>	<u>174 486,33</u>

Other operating costs	31.12.2017	31.12.2016
Travel and other personnel costs	68 730,27	41 242,33
Entertainment and marketing costs	155 836,58	1 495 154,71
Office facility and furniture costs	274 589,58	225 122,34
Other operating costs	279 561,70	170 530,54
Total	<u>778 718,13</u>	<u>1 932 049,92</u>
Auditor's fee	31.12.2017	31.12.2016
Audit fees	8 253,44	5 489,17
Notes concerning the assets in the balance sheet		
Itemisation of investments	Holding (%)	Capitalised value
In Group companies		
Lainaamo Oy	100 %	711 200,00
P2P Sverige AB	100 %	5 399,92
Fellow Finance Sp. z o.o.	100 %	46 693,95
Total investment shares		<u>763 293,87</u>
Material amounts shown under other receivables	31.12.2017	31.12.2016
Peer-to-peer loan fees	514 104,86	396 177,08
Rent deposits	12 138,56	12 107,77
Others receivables	<u>526 243,42</u>	<u>408 284,85</u>
Material amounts shown under prepayments and accrued income	31.12.2017	31.12.2016
Other prepayments and accrued income	31 002,86	15 080,17
Total prepayments and accrued income	<u>31 002,86</u>	<u>15 080,17</u>
Receivables from Group undertakings:	31.12.2017	31.12.2016
Trade receivables	18 831,23	35 465,78
Loan receivables	375 000,00	75 000,00
	<u>393 831,23</u>	<u>110 465,78</u>
Change in non-current assets:		
Changes in investments:	31.12.2017	31.12.2016
Shares in Group companies		
Acquisition cost at year start	763 293,87	711 200,00
Increases during the year		52 093,87
Acquisition cost at year end	<u>763 293,87</u>	<u>763 293,87</u>

Intangible assets:	31.12.2017	31.12.2016
Computer software		
Acquisition cost at year start	335 154,55	232 529,39
Increases during the year	164 168,27	102 625,16
Acquisition cost before planned depreciation	<u>499 322,82</u>	<u>335 154,55</u>
Accumulated planned depreciation at year start	-138 659,05	-49 133,74
Planned depreciation during the year	-116 915,64	-89 525,31
Accumulated planned depreciation at year end	<u>-255 574,69</u>	<u>-138 659,05</u>
Acquisition cost at year end	499 322,82	335 154,55
Accumulated planned depreciation at year end	-255 574,69	-138 659,05
Reducing balance after planned depreciation	<u>243 748,13</u>	<u>196 495,50</u>
Reducing balance at year end	243 748,13	196 495,50
Other capitalised long-term expenditure		
Acquisition cost at year start	220 087,39	220 087,39
Acquisition cost before planned depreciation	<u>220 087,39</u>	<u>220 087,39</u>
Accumulated planned depreciation at year start	-91 702,50	-18 340,50
Planned depreciation during the year	-73 362,00	-73 362,00
Accumulated planned depreciation at year end	<u>-165 064,50</u>	<u>-91 702,50</u>
Acquisition cost at year end	220 087,39	220 087,39
Accumulated planned depreciation at year end	-165 064,50	-91 702,50
Reducing balance after planned depreciation	<u>55 022,89</u>	<u>128 384,89</u>
Reducing balance of other capitalised long-term expenditure at year end	55 022,89	128 384,89
Carrying amount of intangible assets at year end	<u><u>298 771,02</u></u>	<u><u>324 880,39</u></u>
Tangible assets		
31.12.2017		
Machinery and equipment		
Acquisition cost at year start	78 301,01	14 492,90
Increases during the year	4 022,00	63 808,11
Acquisition cost before planned depreciation	<u>82 323,01</u>	<u>78 301,01</u>
Accumulated planned depreciation at year start	-16 038,95	-4 439,93
Planned depreciation during the year	-20 274,13	-11 599,02
Accumulated planned depreciation at year end	<u>-36 313,08</u>	<u>-16 038,95</u>
Acquisition cost at year end	82 323,01	78 301,01
Accumulated planned depreciation at year end	-36 313,08	-16 038,95
Reducing balance after planned depreciation	<u>46 009,93</u>	<u>62 262,06</u>
Carrying amount of tangible assets at year end	46 009,93	62 262,06
De minimis purchases recognised as costs for the financial year	11 290,35	8 995,87

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

Statement of changes in the shareholders' equity		31.12.2017	31.12.2016
Restricted equity			
	Share capital at year start	125 000,00	125 000,00
	Share capital at year end	<u>125 000,00</u>	<u>122 500,00</u>
Total restricted equity		125 000,00	122 500,00
Unrestricted equity			
	Paid-up unrestricted equity reserve	2 977 540,00	2 977 540,00
	Retained losses at year start	-726 697,66	-736 960,03
	Profit/loss for the year	<u>807 012,00</u>	<u>10 262,37</u>
Total unrestricted equity		3 057 854,34	2 250 842,34
Total shareholders' equity		<u>3 182 854,34</u>	<u>2 373 342,34</u>

Statement of distributable funds in shareholders' equity:

	31.12.2017	31.12.2016
Retained earnings	-726 697,66	-736 960,03
Paid-up unrestricted equity reserve	2 977 540,00	2 977 540,00
Profit for the year	<u>807 012,00</u>	<u>10 262,37</u>
Total distributable funds	<u>3 057 854,34</u>	<u>2 250 842,34</u>

Material amounts shown under accruals and deferred income:

	31.12.2017	31.12.2016
Holiday pay liability inclusive of social security charges	137 886,23	82 435,12
Other personnel costs	6 859,60	62 830,39
Income tax	30 233,08	
Other accruals and deferred income	<u>100 442,91</u>	<u>75 191,67</u>
	<u>275 421,82</u>	<u>220 457,18</u>

Guarantees and contingent liabilities:

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

Other receivables	pledged rent deposit	12 138,56	12 107,77
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Other financial liabilities not recognised in the balance sheet:

Rent and leasing liabilities		31.12.2017	31.12.2016
	maturing during the year	15 256,27	14 638,75

Holdings in other companies:

Company name	Registered office	Registered office
Lainaamo Oy	Helsinki, Finland	Helsinki, Finland
P2P Sverige AB	Stockholm, Sweden	Stockholm, Sweden
Fellow Finance Sp. z o.o.	Warsaw, Poland	Warsaw, Poland

Share capital of the company:

	31.12.2017	31.12.2016
No. of shares	232,705	232,705
Total	232,705	232,705

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

Off-balance sheet assets managed by the company

	31.12.2017	31.12.2016
Customer assets on bank accounts (€1,000)	4 434,0	7 618,8
Open loan principal (€1,000)	69 291,0	35 703,1

List of accounting books, voucher types and methods of filing

Accounting books

General ledger
Journal
Income statement and balance sheet
Balance sheet book, bound

Subledger systems

Fellow Finance Account and loan system
Smart accounts receivable system

Voucher types used

Bank vouchers voucher type PT
Purchase invoices; voucher type OL and OS
Memo vouchers voucher type JK, MU and PUMP

Storage of vouchers

All accounting material is stored in hardcopy format in the manner prescribed by law in the company's own premises.

Signatures to the financial statements

Helsinki, 31 July 2018

Jouni Hintikka
CEO

Teemu Nyholm
Chairman of the Board

Jorma Alanne
Standing member of the Board

Pontus Oinonen
Standing member of the Board

Riikka Rajaviita
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, _____ 2018

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 identity code 2568782-2) for the period of 1 January – 31 December 2017. 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 statutory requirements.

Basis for the opinion

I conducted my audit in accordance with Finnish good auditing practice. My responsibilities under 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 in Finland and 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 is sufficient and appropriate to provide a basis for my audit opinion.

Note concerning emphasising a specific matter – amendment of the financial statements

I have issued an auditor's report on the financial statements signed on 24 January 2017 on 25 January 2017. A decision was subsequently made to amend the financial statements as specified in the notes concerning the preparation of consolidated financial statements under section "Amendment of the accounting principles of the consolidated financial statements" concerning the presentation of financing costs. The amended financial statements were signed on 31 July 2018.

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

The Board of Directors and the Chief Executive Officer 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 the financial statements in Finland and comply with statutory requirements. The Board of Directors and the CEO 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 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 can 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 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 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 disclosures, 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 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. 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 information included in the report of the Board of Directors, I am required to report that fact. I have nothing to report in this regard.

Helsinki, 3 August 2018

Timo Helle
APA