

4finance S.A.
Société anonyme

Annual accounts
For the financial year ended
31 December 2016

Registered office:
9, Allée Scheffer
L-2520 Luxembourg
Grand Duchy of Luxembourg
Luxembourg Trade and Companies Register number: B173403

Table of Contents

	Page
Annual accounts	
Management Report	2
Balance Sheet	8
Profit and loss account	13
Notes to the annual accounts	15
Independent Auditors' Report	25

MANAGEMENT REPORT FOR THE FINANCIAL YEAR ENDING ON DECEMBER 31, 2016

To the sole shareholder of 4finance S.A. ("the Company"):

AS "4finance", having its registered office at Lielirbes iela 17 a – 8, Riga LV – 1046, Latvia.

In accordance with our duties as Directors of 4finance S.A. we hereby submit the balance sheet as of December 31, 2016 and the related statement of profit and loss for the period then ended.

During the year under review, the balance sheet amounts to EUR 513,838,365.63 and the result of the year shows a loss of EUR 2,861,274.95 which the Board of Directors proposes to allocate as follows:

Results brought forward:	EUR	(19,154,080.44)
Results of the year:	EUR	<u>(2,861,274.95)</u>
Results to be carried forward:	EUR	(22,015,355.39)

4finance S.A., a Luxembourg based company, presents its audited annual report together with the annual accounts for the twelve month period ending December 31, 2016 (the "Period").

The share capital of 4finance S.A. as at December 31, 2016 is EUR 100,000,000.

The Company is part of a group of companies ultimately owned by 4finance Group S.A. (collectively, the "Group"). The Group is one of Europe's largest online and mobile consumer lending groups and active in 18 countries globally. The Company lends to various entities within the Group to finance their operations. The Company is largely financed via bonds issued on European stock markets.

The Company has one branch, based in Malta.

Important events in 2016 and future developments

During the reporting period, the Company continued its lending activities to companies within the Group. To finance its activities, in May 2016, the Company issued EUR 100 million of 11.25% notes which are due in May 2021 (2021 Notes). In November 2016 a further EUR 50 million of 2021 Notes were issued, bringing the total amount outstanding to EUR 150 million. The notes were listed on the corporate bond list of the Frankfurt Stock Exchange.

It is the intention of the management of the Company to continue to lend to affiliated companies to support their operations in the future.

Review and development of the Company's business and financial position

Income for the period amounted to EUR 75.6 million, compared with EUR 55.3 million in 2015, which represents an increase of 36.6%. Since its incorporation, the Company has granted various loans to operating companies within the Group. The Company acts as a lender and all loans bear interest at various rates. Interest income in the period in relation with these loans amounted to EUR 49.2 million, compared to EUR 36.0 million for the same period in 2015. As of December 31, 2016, the aggregate principal of the loans granted by the Company amounted to EUR 443.2 million and the related accrued interest amounted to EUR 31.1 million, compared to EUR 289.8 million and EUR 18.2 million, respectively, as at December 31, 2015.

The Company generated a loss during the reporting period. The loss for the year amounts to EUR 2.9 million, compared to EUR 4.9 million for the twelve months ended December 31, 2015.

Principal risks and uncertainties

As part of the 4finance Group, the Company applies Group principles for overall risk management, and Group policies covering specific areas such as credit risk, liquidity risk, market risks, operational risks and reputational risks.

The principal risks and uncertainties of the Company relate to its main assets – loans to affiliated companies. Recoverability of these loans is dependent on the performance of the underlying companies. The Company is not exposed to interest rate risk as the loans are at fixed rates. These loans are denominated in various currencies. In addition, liabilities largely consist of bonds denominated in various currencies. The Company hedges this foreign currency risk through various financial instruments including FX options and forward contracts.

Employees

The company employed 2 employees during the financial year, 1 for the Malta branch and 1 for the registered office in Luxembourg (joined in November 2016).

Research and development

The Company does not undertake any research or development activities.

Corporate Governance

Strong corporate governance is an integral part of the Group's core values, supporting the Group's vision of moving towards a sustainable future.

Our executive committee is composed of a team that works with the senior leaders across the Group to evaluate the importance of the core values throughout the Group by promoting and fostering a corporate culture of the highest ethical standards, internal controls, and legal compliance.

In compliance with the Luxembourg Company Law, this Corporate Governance Statement is attached and constitutes an integral part of this Annual Report.

Capital structure of the Company / 4finance Group

The Company is part of the 4finance Group (the "Group") and is entirely held by AS 4finance (Latvia), a Latvian based company whose share capital is wholly owned by 4finance Holding S.A. ("Holdco"), a Luxembourg Société anonyme, with a cross participation of 0.003% of AS 4finance (Latvia) in Holdco. The parent holding company of the Group and direct shareholder of Holdco is 4finance Group S.A. (Luxembourg) which holds 99.997% of Holdco. With a 100% shareholding in 4finance Group S.A. Tirona Limited (Cyprus) is the indirect shareholder of the Group, ultimately owned by three individuals - Uldis Arnicāns (25.5%), Edgars Dupats (25.5%) and Vera Boiko (49%), all having a significant ultimate ownership of the Group. As a result, these individuals have

and will continue to have the power to affect the legal and capital structure and the day-to-day operations of the Group, as well as the ability to elect and change the board of directors and approve other changes to the Group's operations, through their holdings in Tirona Limited.

Corporate governance, management and control of the Company is apportioned between the sole shareholder and the board of directors (the "Board"), in accordance with all relevant provisions of Luxembourg laws and in particular the law of August 10, 1915 on commercial companies, as amended (the "Luxembourg laws") so as the Company's articles of association (the Articles of Association"). The Company does not apply additional requirements in addition to those required by the above.

Corporate governance, management and control of the Company is apportioned between the sole shareholder and the board of directors (the "Board"), in accordance with all relevant provisions of Luxembourg laws and in particular the law of August 10, 1915 on commercial companies, as amended (the "Luxembourg laws") so as the Company's articles of association (the Articles of Association"). The Company does not apply additional requirements in addition to those required by the above.

Powers of the sole shareholder

The sole shareholder of the Company exercises all the powers granted by the Luxembourg laws to the general meetings of shareholders, including (i) appointing and removing the directors (the "Directors") and the statutory or independent auditor of the Company as well as setting their remuneration and discharging them from liability, as the case may be, (ii) approving the annual financial statements of the Company, (iii) amending the Articles of Association, (iv) deciding on the dissolution and liquidation of the Company, and (v) changing the nationality of the Company.

General Powers of the Directors / the Board

The Company is currently managed by a Board composed of two directors of category A and two directors of category B, elected by the Company's sole shareholder. In accordance with Luxembourg laws, each Director may be removed by the sole shareholder at any time without cause.

Directors of each category are vested with the same individual powers and duties. Directors of category A are Luxembourg residents, whereas directors of category B are not Luxembourg residents and at the same time generally hold positions within the Group entities.

The Board is responsible for conducting and managing the business affairs of the Company in accordance with the Luxembourg laws and the Articles of Association. The Board is convened as often as required in the Company's interest.

The Directors participate in all discussions but may however not vote or deliberate on any items in which they have a conflict of interest. In such a case, the concerned Director(s) must declare the nature of such conflict, which declaration is recorded in the minutes of the meeting. Any conflict of interest are further reported to the sole shareholder in accordance with Luxembourg laws.

The Board may delegate certain functions, but not their responsibility, to third parties, subject to the supervision and Directors, i.e. the managing directors(s), commit the management of the affairs of the Company to one or more Directors or give special powers for determined matters to one or more proxy holders.

In accordance with the Articles of Association, when composed of several categories of directors (as it is currently the case), the Board is bound by the joint signatures of one Director of each category. Thus the "four eyes" principle is established.

Specific Powers of the Directors / the Board

- Financial Reporting Process

The Board is responsible for establishing and maintaining adequate internal control and risk management systems of the Company in relation to the financial reporting process. Such systems are designed to manage rather than eliminate the risk of failure to achieve the Company's financial reporting objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board has established processes regarding internal control and risk management systems to ensure its effective oversight of the financial reporting process. The Board is obliged to maintain proper books and records as required by Luxembourg laws. These include appointing Company management to maintain the accounting records and prepare for review and approval by the Board and annual accounts providing a true and fair view of the financial situation and result of the Company. The

Board evaluates and discusses significant accounting and reporting issues as the need arises. From time to time the Board also examines and evaluates the external auditor's performance, qualifications and independence.

• Risk Assessment

The Board is fully responsible for assessing the risk of irregularities whether caused by fraud or error in financial reporting and ensuring processes are in place for the timely identification of internal and external matters with a potential effect on financial reporting. The Board has also put in place processes to identify changes in accounting rules and recommendations and to ensure that these changes are accurately reflected in the Company's Annual Accounts.

The risk appetite of the Company is set by the Board of Directors. In line with the principles of the 3 lines of defense, the Company has a governance process enabling the business to understand, assess and manage risks in accordance to its defined risk appetite. The Company ensures a formal process of regular portfolio reviews, enabling the identification of risks associated with the portfolio, the definition and implementation of any corrective action, whenever required, consistent with the risk/reward approach set by the Board.

• Monitoring

The Board is directly responsible for establishing a sound control environment.

The Board has an annual process to ensure that appropriate measures are taken to consider and address the shortcomings identified and measures recommended by the independent auditor(s).

The internal audit department of the Group currently reports directly to the Group's audit committee (the "Audit Committee") and regularly performs an independent assessment of the Group's processes. The assessment is designed to ensure that all key aspects of risk management are of a high quality.

The Audit Committee oversees the Group's financial reporting process to ensure the transparency and integrity of published financial information, the effectiveness of the Group's internal control and risk management systems, the effectiveness of the internal audit function, the effectiveness of independent audit processes including recommending the appointment and assessing the performance of the external auditor, and the effectiveness of the process for monitoring compliance with laws and regulations affecting financial reporting codes of business conduct (where applicable).

• Control Activities

The Board is responsible for designing and maintaining control structures to manage the risks which are significant for internal control over financial reporting. These control structures include appropriate divisions of responsibilities and specific control activities aimed at detecting or preventing the risk of significant deficiencies in financial reporting for all significant captions written in the Annual Accounts and related notes therein.

Important events since the balance sheet date

The Company's USD denominated senior notes maturing 2019 contained an embedded put option exercisable by bondholders in the summer of 2017. To address the potential exercise of this put option and to further strengthen its long-term capital structure, the Company embarked on a refinancing and debt-raising exercise in the first quarter of 2017. On April 13, 2017, the Company announced the pricing of a new issue of USD 325 million USD Notes due 2022, with a coupon of 10.75%, issued at par. These senior notes have a 5 year maturity with a 2 year non-call period. Closing occurred on April 28, 2017.

The Company also announced the successful result of a parallel tender process for its existing USD 2019 Notes. A total of USD 132 million in notional amount of USD 2019 Notes was validly tendered prior to the tender deadline. This 66% tender result exceeds the 50% requirement for both the new issue to proceed and the associated consent solicitation to remove certain terms and covenants (including the put option) on the residual USD 2019 Notes, which remain outstanding.

Part of the proceeds will be used to repay the Company's SEK 2018 Notes. The early redemption will take place on May 31, 2017.

As at December 31, 2016, the Company had an outstanding loan facility agreement with V7 Limited, a UK-based consumer lending company, for a maximum of GBP 30 million. On January 17, 2017 a new agreement was signed to restructure this loan. At the

4finance S.A.
Société anonyme

As at December 31, 2016
Denominated in EUR

time of the agreement, the outstanding amount on this facility totalled GBP 14.7 million principal plus GBP 1.5 million in accrued interest. As part of the restructuring of this loan, this obligation was transferred from V7 Limited to 4finance Holding S.A.

4finance S.A.
Société anonyme

As at December 31, 2016
Denominated in EUR

We recommend that you:

1. Approve the annual accounts as of December 31, 2016 as presented to you.
2. Grant discharge to the Directors for the exercise of their mandate through December 31, 2016.
3. Allocate the losses to the next financial year.

Luxembourg, May 19, 2017.

On behalf of the Board of Directors



Paul Andrew Goldfinch

Category B director and Chairman of the Board of Directors

Annual Accounts Helpdesk :

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RCSL Nr.: B173403

Matricule : 2012 2222 889

eCDF entry date :

BALANCE SHEET

Financial year from 01 01/01/2016 to 02 31/12/2016 (in 03 EUR)

4finance S.A.
 9, Allée Scheffer
 L-2520 Luxembourg

ASSETS

	Reference(s)	Current year	Previous year
A. Subscribed capital unpaid	1101 _____	101 _____	102 _____
I. Subscribed capital not called	1103 _____	103 _____	104 _____
II. Subscribed capital called but unpaid	1105 _____	105 _____	106 _____
B. Formation expenses	1107 _____	107 _____	108 _____
C. Fixed assets	1109 _____	109 _____	110 _____
I. Intangible assets	1111 _____	111 _____	112 _____
1. Costs of development	1113 _____	113 _____	114 _____
2. Concessions, patents, licences, trade marks and similar rights and assets, if they were	1115 _____	115 _____	116 _____
a) acquired for valuable consideration and need not be shown under C.I.3	1117 _____	117 _____	118 _____
b) created by the undertaking itself	1119 _____	119 _____	120 _____
3. Goodwill, to the extent that it was acquired for valuable consideration	1121 _____	121 _____	122 _____
4. Payments on account and intangible assets under development	1123 _____	123 _____	124 _____
II. Tangible assets	1125 _____	125 _____	126 _____
1. Land and buildings	1127 _____	127 _____	128 _____
2. Plant and machinery	1129 _____	129 _____	130 _____

RCSL Nr.: B173403

Matricule : 2012 2222 889

	Reference(s)	Current year	Previous year
3. Other fixtures and fittings, tools and equipment	1131	131	132
4. Payments on account and tangible assets in the course of construction	1133	133	134
III. Financial assets	1134	135	136
1. Shares in affiliated undertakings	1137	137	138
2. Loans to affiliated undertakings	1139	139	140
3. Participating interests	1141	141	142
4. Loans to undertakings with which the undertaking is linked by virtue of participating interests	1143	143	144
5. Investments held as fixed assets	1145	145	146
6. Other loans	1147	147	148
D. Current assets	1150	513.813.160,04	327.594.850,65
I. Stocks	1153	153	154
1. Raw materials and consumables	1155	155	156
2. Work in progress	1157	157	158
3. Finished goods and goods for resale	1159	159	160
4. Payments on account	1161	161	162
II. Debtors	1163	482.513.024,76	315.628.419,46
1. Trade debtors	1165	165	166
a) becoming due and payable within one year	1167	167	168
b) becoming due and payable after more than one year	1169	169	170
2. Amounts owed by affiliated undertakings	1171	474.316.780,56	308.006.630,73
a) becoming due and payable within one year	1173	474.316.780,56	308.006.630,73
b) becoming due and payable after more than one year	1175	175	176
3. Amounts owed by undertakings with which the undertaking is linked by virtue of participating interests	1177	177	178
a) becoming due and payable within one year	1179	179	180
b) becoming due and payable after more than one year	1181	181	182
4. Other debtors	1183	8.196.244,20	7.621.788,73
a) becoming due and payable within one year	1185	8.196.244,20	7.621.788,73
b) becoming due and payable after more than one year	1187	187	188

RCSL Nr.: B173403

Matricule : 2012 2222 889

	Reference(s)	Current year	Previous year
III. Investments	1189 _____	190 _____	190 _____
1. Shares in affiliated undertakings	1191 _____	191 _____	192 _____
2. Own shares	1209 _____	209 _____	210 _____
3. Other investments	1195 _____	195 _____	196 _____
IV. Cash at bank and in hand	1197 _____	197 <u>31.300.135,28</u>	198 <u>11.966.431,19</u>
E. Prepayments	1199 <u>5</u>	199 <u>25.205,59</u>	200 <u>30.408,79</u>
TOTAL (ASSETS)		201 <u>513.838.365,63</u>	202 <u>327.625.259,44</u>

RCSL Nr.: B173403

Matricule: 2012 2222 889

CAPITAL, RESERVES AND LIABILITIES

	Reference(s)	Current year	Previous year
A. Capital and reserves	1301 <u>6</u>	78.036.510,31	80.897.785,26
I. Subscribed capital	1303	100.000.000,00	100.000.000,00
II. Share premium account	1305		
III. Revaluation reserve	1307		
IV. Reserves	1309	51.865,70	51.865,70
1. Legal reserve	1311	51.865,70	51.865,70
2. Reserve for own shares	1313		
3. Reserves provided for by the articles of association	1315		
4. Other reserves, including the fair value reserve	1426		
a) other available reserves	1431		
b) other non available reserves	1433		
V. Profit or loss brought forward	1319	-19.154.080,44	-14.257.140,01
VI. Profit or loss for the financial year	1321	-2.861.274,95	-4.896.940,43
VII. Interim dividends	1323		
VIII. Capital investment subsidies	1325		
B. Provisions	1331		
1. Provisions for pensions and similar obligations	1333		
2. Provisions for taxation	1335		
3. Other provisions	1337		
C. Creditors	1435	435.801.855,32	246.727.474,18
1. Debenture loans	1437	394.823.649,24	227.357.099,13
a) Convertible loans	1439		
i) becoming due and payable within one year	1441		
ii) becoming due and payable after more than one year	1443		
b) Non convertible loans	1445	394.823.649,24	227.357.099,13
i) becoming due and payable within one year	1447	204.216.205,96	227.357.099,13
ii) becoming due and payable after more than one year	1449	190.607.443,28	0,00
2. Amounts owed to credit institutions	1355		
a) becoming due and payable within one year	1357		
b) becoming due and payable after more than one year	1359		

The notes in the annex form an integral part of the annual accounts

RCSL Nr.: B173403

Matricule: 2012 2222 889

	Reference(s)	Current year	Previous year
3. Payments received on account of orders in so far as they are shown separately as deductions from stocks	1361	361	362
a) becoming due and payable within one year	1363	363	364
b) becoming due and payable after more than one year	1365	365	366
4. Trade creditors	1367	367	368
a) becoming due and payable within one year	1369	369	370
b) becoming due and payable after more than one year	1371	371	372
5. Bills of exchange payable	1373	373	374
a) becoming due and payable within one year	1375	375	376
b) becoming due and payable after more than one year	1377	377	378
6. Amounts owed to affiliated undertakings	1379	379	380
a) becoming due and payable within one year	1381	381	382
b) becoming due and payable after more than one year	1383	383	384
7. Amounts owed to undertakings with which the undertaking is linked by virtue of participating interests	1385	385	386
a) becoming due and payable within one year	1387	387	388
b) becoming due and payable after more than one year	1389	389	390
8. Other creditors	1391	391	392
a) Tax authorities	1393	393	394
b) Social security authorities	1395	395	396
c) Other creditors	1397	397	398
i) becoming due and payable within one year	1399	399	400
ii) becoming due and payable after more than one year	1401	401	402
D. Deferred income	1403	403	404
TOTAL (CAPITAL, RESERVES AND LIABILITIES)	405	406	

513.838.365,63

327.625.259,44

Annual Accounts Helpdesk :

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RCSL Nr. : B173403

Matricule : 2012 2222 889

eCDF entry date :

PROFIT AND LOSS ACCOUNT

Financial year from 01 01/01/2016 to 02 31/12/2016 (in 03 EUR)

4finance S.A.
 9, Allée Scheffer
 L-2520 Luxembourg

PROFIT AND LOSS ACCOUNT

	Reference(s)	Current year	Previous year
1. Net turnover	1701 _____	701 _____	702 _____
2. Variation in stocks of finished goods and in work in progress	1702 _____	703 _____	704 _____
3. Work performed by the undertaking for its own purposes and capitalised	1705 _____	705 _____	706 _____
4. Other operating income	1713 _____	713 _____	714 _____
5. Raw materials and consumables and other external expenses	1671 _____ 10	671 -6.760.189,93	672 -3.102.673,53
a) Raw materials and consumables	1601 _____	601 _____	602 _____
b) Other external expenses	1603 _____	603 -6.760.189,93	604 -3.102.673,53
6. Staff costs	1605 _____ 11	605 -51.220,34	606 -14.226,64
a) Wages and salaries	1607 _____	607 -48.620,62	608 -14.226,64
b) Social security costs	1609 _____	609 -2.599,72	610 0,00
i) relating to pensions	1653 _____	653 _____	654 _____
ii) other social security costs	1655 _____	655 -2.599,72	656 0,00
c) Other staff costs	1613 _____	613 _____	614 _____
7. Value adjustments	1657 _____ 3	657 735.956,61	658 -337.802,43
a) in respect of formation expenses and of tangible and intangible fixed assets	1619 _____	619 _____	660 _____
b) in respect of current assets	1661 _____	661 735.956,61	662 -337.802,43
8. Other operating expenses	1621 _____	621 _____	622 _____

The notes in the annex form an integral part of the annual accounts

RCSL Nr.: B173403

Matricule: 2012 2222 889

	Reference(s)	Current year	Previous year
9. Income from participating interests	1715	715	716
a) derived from affiliated undertakings	1717	717	718
b) other income from participating interests	1719	719	720
10. Income from other investments and loans forming part of the fixed assets	1721	721	722
a) derived from affiliated undertakings	1723	723	724
b) other income not included under a)	1725	725	726
11. Other interest receivable and similar income	1727	727	728
a) derived from affiliated undertakings	1729	729	730
b) other interest and similar income	1731	731	732
12. Share of profit or loss of undertakings accounted for under the equity method	1803	803	804
13. Value adjustments in respect of financial assets and of investments held as current assets	1805	805	806
14. Interest payable and similar expenses	1827	827	828
a) concerning affiliated undertakings	1829	829	830
b) other interest and similar expenses	1831	831	832
15. Tax on profit or loss	1835	835	836
16. Profit or loss after taxation	1867	867	868
17. Other taxes not shown under items 1 to 16	1837	837	838
18. Profit or loss for the financial year	1869	869	870

NOTE 1 GENERAL INFORMATION

4finance S.A. – hereafter the “Company” – was incorporated on December 6, 2012 as a “Société anonyme” within the definition of the Luxembourg Law of August 10, 1915, as amended, on commercial companies for an unlimited period of time.

The Company’s registered office is established in Luxembourg.

The financial year of the Company runs from January, 1 until December, 31 of each year.

The purpose of the Company is to finance the activities of 4finance Group S.A. and subsidiaries. The Company may in particular acquire by subscription, purchase, and exchange or in any other manner any stock, shares and other securities, bonds, debentures, certificates of deposit and other debt instruments and more generally any securities and financial instruments issued by any public or private entity whatsoever, including partnerships. It may participate in the creation, development, management and control of any company or enterprise. It may further invest in the acquisition and management of a portfolio of patents or other intellectual property rights of any nature or origin whatsoever.

The Company may borrow in any form. It may issue notes, bonds and debentures and any kind of debt which may be convertible and/or equity securities. The Company may lend funds including the proceeds of any borrowings and/or issues of debt securities to its subsidiaries, affiliated companies or to any other company. It may also give guarantees and grant security interests in favour of third parties to secure its obligations or the obligations of its subsidiaries, affiliated companies or any other company. The Company may further mortgage, pledge, and transfer, encumber or otherwise hypothecate all or some of its assets.

The Company may generally employ any techniques and utilize any instruments relating to its investments for the purpose of their efficient management, including techniques and instruments designed to protect the Company against currency fluctuations, interest rate fluctuations and other risks.

The Company may carry out any commercial, financial or industrial operations and any transactions with respect to real estate or movable property, which directly or indirectly further or relate to its purpose.

On January 23, 2013, the Company established a branch in Malta in accordance with the laws of the Republic of Malta, address at 40, Villa Fairholme, Sir Augustus Bartolo Street, Ta’Xbiex XBX1095, Republic of Malta.

The Company is not required to prepare consolidated accounts as it is not a parent company according to Article 309 of the Luxembourg Law of August 10, 1915, as amended, on commercial companies.

The Company is included in the consolidated accounts of 4finance Group S.A. RCS Luxembourg: B195.643, forming the largest body of undertakings of which the Company forms a part as a subsidiary undertaking. The registered office of 4finance Group S.A. is 9, Allée Scheffer, L-2520 Luxembourg, where the consolidated accounts are available. Hereinafter 4finance Group S.A. and its subsidiaries in Europe (incl. the Company), North America and South America together are referred as the 4finance Group.

The Company is included in the consolidated accounts of 4finance Holding S.A. RCS Luxembourg: B171.059, forming the smallest body of undertakings of which the Company forms a part as a subsidiary undertaking. The registered office of 4finance Holding S.A. is 9, Allée Scheffer, L-2520 Luxembourg, where the consolidated accounts are available.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General principles

The Company maintains its books and records in Euro (“EUR”) and prepares its annual accounts in accordance with applicable laws and regulations in Luxembourg as well as with the generally accepted accounting principles in force in the Grand Duchy of Luxembourg. The annual accounts are prepared in accordance with the going concern principle.

The provisions of the law of December 18, 2015 on annual and consolidated accounts and the grand-ducal regulation of December 18, 2015 on the layout of balance sheet and profit and loss accounts, amending the law of December 19, 2002, have been followed in the preparation of these annual accounts.

The layout and the headings of certain balance sheet and profit and loss account captions have been modified accordingly. Some comparative figures have been reclassified for the same reason.

Main valuation rules

The main valuation rules applied by the Company are the following:

Debtors

Debtors are stated at their nominal value.

A value adjustment is recorded when the estimated realizable value is lower than the nominal value. The realizable value is estimated on the basis of the information available to the Board of Directors. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

Derivative financial instruments

The Company is engaged in hedging activities, in particular the hedging of foreign currency exposure. Derivative financial instruments are initially recorded at cost. In the case of hedging of an asset or a liability that is not recorded at fair value, unrealized gains or losses are deferred until the recognition of the realized gains or losses on the hedged item.

Premiums of the hedge deals are accounted in other debtors.

Foreign currency translation

The Company maintains its accounting records in euros (EUR) and the annual accounts are prepared in this currency. Transactions made in another currency than EUR are translated into EUR at the exchange rate prevailing at the transaction date.

- cash and cash equivalents are valued at the exchange rate applicable at the balance sheet date, considering exchange rate differences as realized;
- all other assets expressed in another currency than EUR are valued individually at the lower of the value determined using the historical exchange rate or the value determined using the exchange rate prevailing at the balance sheet date;
- all liabilities expressed in another currency than EUR are valued individually at the higher of the value determined using the historical exchange rate or the value determined using the exchange rate prevailing at the balance sheet date;
- income and expenses expressed in currencies other than EUR are converted at the exchange rate applicable at the date of the transactions.

Consequently only realized foreign exchange gains and losses and unrealized foreign exchange losses are taken into account in the profit and loss account.

Prepayments

This asset item includes expenditures incurred during the financial year but relating to a subsequent financial year.

Provisions

Provisions are intended to cover losses or debts, the nature of which is clearly defined and which, at the date of the balance sheet, are either likely to be incurred or certain to be incurred but uncertain as to their amount or the date on which they will arise.

Provisions may also be created to cover charges that have originated in the financial year under review or in a previous financial year, the nature of which is clearly defined, and at the date of the balance sheet, are either likely to be incurred or certain to be incurred but uncertain as to their amount or the date on which they will arise.

Current tax provision

Provisions for taxation corresponding to the tax liability estimated by the Company for the financial years are recorded under the caption "Other creditors".

NOTE 3 AMOUNTS OWED BY AFFILIATED UNDERTAKINGS

	a) Becoming due and payable after less than one year	b) Becoming due and payable after more than one year	Total 2016 EUR	Total 2015 EUR
Principal of the loans granted	443,161,141.19	0.00	443,161,141.19	289,774,505.21
Accrued interest	31,073,002.97	0.00	31,073,002.97	18,232,125.52
Other receivables	82,636.40	0.00	82,636.40	0.00
Total	474,316,780.56	0.00	474,316,780.56	308,006,630.73

Since its incorporation, the Company granted various loans to the operating entities of the 4finance Group. The Company acts as a lender and all the loans bear interest at various rates. However, prior to the maturity, the lender may request the repayment of the loan or the borrower may repay it at any time.

The interest income of the period in relation with these loans amounted to EUR 49,241,738.23. In 2016, Management decided to cancel a provision on loan interest amounting to EUR 735,956.61 as the company related to this adjustment resumed activity.

Other receivables mainly consist of compensation invoices.

NOTE 4 OTHER DEBTORS

	a) Becoming due and payable after less than one year	b) Becoming due and payable after more than one year	Total 2016 EUR	Total 2015 EUR
Receivable from tax and social security	21,587.50	0.00	21,587.50	10,404.50
Premiums for option agreements	8,174,656.70	0.00	8,174,656.70	7,611,384.23
Total	8,196,244.20	0.00	8,196,244.20	7,621,788.73

During 2016 the Company had the following foreign exchange contracts outstanding:

Currency	Amount purchased	Currency	Amount sold	Premium paid (received) EUR	Maturity date	Fair value EUR	Variation recorded in profit and loss account EUR
USD	72,500,000.00	EUR	66,617,660.57	1,936,000.00	04.02.2016		1,936,000.00
PLN		PLN	131,775,000.00	1,387,000.00	05.05.2016		1,387,000.00
EUR	30,000,000.00	PLN	129,975,000.00	585,000.00	29.08.2016		585,000.00
EUR	30,000,000.00	PLN	130,800,000.00	269,846.42	27.05.2016		269,846.42
EUR	5,000,000.00	GBP	3,952,000.00	(205,200.94)	28.09.2016		(205,200.94)
USD	11,750,000.00	EUR	10,338,759.35	73,830.21	12.08.2016		73,830.21
USD	5,500,000.00	EUR	4,108,156.56	(889,529.69)	17.06.2016		(889,529.69)
USD	8,500,000.00	EUR	6,348,969.23	(1,156,799.93)	17.06.2016		(1,156,799.93)
USD	8,500,000.00	EUR	6,348,969.23	(1,664,670.00)	17.06.2016		(1,664,670.00)
EUR	5,000,000.00	CZK	135,620,000.00	96,500.00	07.10.2016		96,500.00
USD	72,500,000.00	EUR	63,652,326.60	(818,336.70)	10.11.2016		(818,336.70)
EUR	30,000,000.00	PLN	129,975,000.00	88,200.00	28.11.2016		88,200.00
USD	5,000,000.00	GEL	10,751,500.00	114,192.09	10.02.2016		114,192.09
USD	5,000,000.00	GEL	10,673,000.00	114,524.61	10.02.2016		114,524.61
USD	90,000,000.00	EUR	79,610,791.69	4,215,014.06	01.02.2017	6,553,544.78	
USD	10,000,000.00	EUR	9,214,042.20	395,000.00	01.03.2017	302,915.42	
EUR	5,000,000.00	CZK	135,257,500.00	105,500.00	28.03.2017	18,924.40	
EUR	16,000,000.00	GBP	14,508,800.00	619,200.00	07.04.2017	631,564.00	
USD	72,500,000.00	EUR	66,246,345.03	1,680,007.31	11.05.2017	62,253.54	
EUR	30,000,000.00	PLN	125,115,000.00	788,628.64	23.02.2017	2,969,484.97	
USD	2,963,000.00	EUR	2,213,175.98	371,306.69	14.08.2019	626,961.59	
						<u>11,165,648.70</u>	<u>(69,443.93)</u>

NOTE 5 PREPAYMENTS

	2016 EUR	2015 EUR
Legal fees	23,413.59	30,408.79
Listing fee	1,792.00	0.00
	<u>25,205.59</u>	<u>30,408.79</u>

NOTE 6 CAPITAL AND RESERVES

Subscribed capital

As of December 31, 2016 subscribed capital amounted to EUR 100,000,000.00, represented by 100,000,000.00 shares of nominal value of EUR 1.00 each. The share capital is fully paid up.

	2016 EUR	Number of Shares	Total number of shares
Subscribed capital - opening balance	100,000,000.00	100,000,000.00	100,000,000.00
Subscriptions for the year	-	-	0.00
Redemptions for the year	-	-	0.00
Subscribed capital - closing balance	100,000,000.00	100,000,000.00	100,000,000.00

Legal reserve

In accordance with Luxembourg Law of August 10, 1915, as amended, on commercial companies, the Company is required to transfer a minimum of 5% of its net profit for each financial year to a legal reserve. This requirement ceases to be necessary once the balance of the legal reserve reaches 10% of the issued share capital. The legal reserve is not available for distribution to the sole shareholder.

Movements for the year on the reserves

	Legal reserve	Reserve for own shares	Other reserves	Total
As at the beginning of the year 2016	51,865.70	-	-	51,865.70
Allocation of the prior year's result:	-	-	-	-
Appropriation to the legal reserve	-	-	-	-
Dividend distribution	-	-	-	-
Other movements	-	-	-	-
Result for the financial year	-	-	-	-
As at the end of the year 2016	51,865.70	-	-	51,865.70

Movements for the year on the profit/loss items

	Profit or loss brought forward	Profit or loss for the financial year	Interim dividends	Total
As at the beginning of the year 2016	(14,257,140.01)	(4,896,940.43)	-	(19,154,080.44)
Allocation of the prior year's result:	(4,896,940.43)	4,896,940.43	-	-
Appropriation to the legal reserve	-	-	-	-
Dividend distribution	-	-	-	-
Other movements	-	-	-	-
Result for the financial year	-	(2,861,274.95)	-	(2,861,274.95)
As at the end of the year 2016	(19,154,080.44)	(2,861,274.95)	-	(22,015,355.39)

NOTE 7 DEBENTURE LOANS

b) Non-convertible loans

On 15 August 2014, the Company listed USD 200 million (EUR 183,706,000.00) senior notes with coupon rate 11.75% on the Irish Stock Exchange, with maturity date August 14, 2019. These notes were used to refinance the Group's USD 170 million (EUR 156,150,000.00) notes which were due on January 31, 2015 and to facilitate the expansion of the Group's operations.

In March 2015, the Company issued SEK 225 million (EUR 24,485,000.00) of 11.75% notes which are due in March 2018 (2018 Notes). In September 2015, a further SEK 150 million (EUR 16,323,000.00) of 2018 Notes were issued, bringing the total amount outstanding to SEK 375 million (EUR 40,808,000.00) out of a total program size of SEK 600 million (EUR 57,131,000.00). The 2018 Notes were listed on the corporate bond list of Nasdaq Stockholm in August 2015.

On May 23, 2016, the Company issued EUR 100 million of 11.25% notes which are due in May 2021 (2021 Notes). On November 29, 2016 a further EUR 50 million of 2021 Notes were issued, bringing the total amount outstanding to EUR 150 million. The Notes were listed on the corporate bond list of the Frankfurt Stock Exchange.

	i) Becoming due and payable after less than one year	ii) Becoming due and payable after more than one year	Total 2016 EUR	Total 2015 EUR
Bonds	189,735,319.23	190,607,443.28	380,342,762.51	215,327,513.09
Bond coupons	11,444,720.06	0.00	11,444,720.06	8,993,419.37
Loan from U. Arnicāns	3,000,000.00	0.00	3,000,000.00	3,000,000.00
Interest expense loan U. Arnicāns	36,166.67	0.00	36,166.67	36,166.67
Total	204,216,205.96	190,607,443.28	394,823,649.24	227,357,099.13

As at December 31, 2016 no debts are due after more than five years.

NOTE 8 AMOUNTS OWED TO AFFILIATED UNDERTAKINGS

	a) Becoming due and payable after less than one year	b) Becoming due and payable after more than one year	Total 2016 EUR	Total 2015 EUR
4finance LLC	16,326,203.11	0.00	16,326,203.11	0.00
4finance UAB	10,162,746.53	0.00	10,162,746.53	0.00
Vivus Finance Sp.o.o	1,680,860.66	0.00	1,680,860.66	9,062,565.77
4SPAR AB	141,151.71	11,122,742.74	11,263,894.45	0.00
4finance AS	69,044.75	0.00	69,044.75	657,995.96
4f Group S.A.	4.56	0.00	4.56	0.00
Vivus SIA	0.00	0.00	0.00	3,025,208.33
International Risk Management	0.00	0.00	0.00	6,286,189.24
Total	28,380,011.32	11,122,742.74	39,502,754.06	19,031,959.30

The amounts owed to affiliated undertakings correspond to:

In July 2016, the Company entered into a short term loan agreement with Group company 4finance LLC, reg.code: 401978605, legal address: Tbilisi, Tsotne Dadiani Street 7, Georgia. The Lender granted a loan repayable in May 2017 with maximum amount USD 20 million and interest rate of 13.75% per year. Principal and interest payable totalled EUR 15,501,375.59 and EUR 824,827.52 respectively as at December 31, 2016.

In October 2016, the Company entered into a short term loan agreement with Group company 4finance UAB reg. code: 301881644, legal address: Kauno m. Janovos g., 254 A, Lithuania. The lender granted a loan repayable in April 2017 with maximum amount EUR 10 million and interest rate 13.75% per year. Principal and interest payable totalled EUR 10 million and EUR 162,746.53 respectively as at December 31, 2016.

Interest payable for a loan granted by Vivus Finance Sp.z o.o. (Poland) totalled EUR 1,680,860.66.

In April 2016, the Company entered into a long term loan agreement with Group company 4Spar AB, reg. code: 556862-8563, legal address: Hammarby Alle 47, 120 30 Stockholm. The lender granted a loan repayable in April 2019 with maximum amount SEK 100 million and interest rate 11.75% per year. Principal and interest payable totalled EUR 11,122,742.74 and EUR 141,151.71 respectively as at December 31, 2016.

EUR 69,044.75 represents amounts owed to 4finance AS for services related to IT system administration and re-invoicing of legal expenses.

NOTE 9 OTHER CREDITORS

Other creditors consist of:

- Tax and social security debts amounting to EUR 464,012.27 (2015: EUR 212,332.19)
- Other creditors, as follows:

	i) Becoming due and payable after less than one year	ii) Becoming due and payable after more than one year	Total 2016 EUR	Total 2015 EUR
other creditors	1,011,439.75	0.00	1,011,439.75	126,083.56
Total	1,011,439.75	0.00	1,011,439.75	126,083.56

Other creditors mainly consist of amounts owed to financial advisors, brokers, auditors.

NOTE 10 OTHER EXTERNAL EXPENSES

	2016 EUR	2015 EUR
Fees related to bonds issue	5,032,300.75	1,915,346.00
Legal fees	1,181,263.12	314,967.94
Management and consulting fees	78,488.91	0.00
Other professional fees	137,717.84	673,083.17
Bank fees	102,927.15	76,073.51
Audit and accounting fees	93,685.21	86,415.17
Tax advisory fees	83,940.15	16,859.05
Rental charges	45,390.44	0.00
IT expenses	4,242.36	3,834.76
Marketing expenses	234.00	0.00
Contribution to proff.organisations	0.00	10,446.45
Maintenance	0.00	5,647.48
Total	6,760,189.93	3,102,673.53

Other professional fees include: research project for hedging currency risk; credit rating services; market research services.

NOTE 11 STAFF COSTS

	2016 EUR	2015 EUR
Wages and salaries	48,620.62	14,226.64
Social security costs	2,599.72	0.00
Other staff costs	0.00	0.00
	51,220.34	14,226.64

The company employed 2 employees during the financial year, 1 for the Malta branch and 1 for the registered office in Luxembourg (joined in November 2016).

NOTE 12 OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2016 EUR	2015 EUR
a) Derived from affiliated undertakings	49,241,738.23	35,956,975.75
b) other interest and similar income	26,326,943.80	19,335,112.04
Total	75,568,682.03	55,292,087.79

The other interest and similar income mainly consists of realized exchange gains amounting to EUR 17,811,261.12.

The position also includes premiums received from derivatives amounting to EUR 8,515,682.68.

NOTE 13 INTEREST PAYABLE AND SIMILAR EXPENSES

	2016 EUR	2015 EUR
Interest expense on loans	427,000.02	478,916.64
Interest expense concerning affiliated undertakings	3,923,862.24	191,021.68
Interest expense on bonds	31,499,989.55	23,795,940.22
Premiums paid for options	8,446,238.74	6,155,608.29
Loss on exchange differences	28,018,210.06	26,061,805.51
Penalties	2,096.75	3,113.00
Bank interest	78.61	638.13
Total	72,317,475.97	56,687,043.47

Interest payable and similar expenses of the prior year include penalties in the amount of EUR 3,113 which were classified as extraordinary charges.

NOTE 14 TAXES

The Company is subject to the general tax regulation applicable to commercial companies residing in Luxembourg. The Company is also liable to relevant taxes in Malta through its Malta Branch.

The tax charges consist of the following:

Tax on profit or loss

	2016 EUR	2015 EUR
Corporate Income Tax Luxembourg	0.00	3,210.00
Malta tax on Malta Branch revenue	17,447.55	17,365.44
Malta withholding tax	16,369.80	24,099.21
	33,817.35	44,674.65

Other taxes

	2016 EUR	2015 EUR
Net Wealth Tax	3,210.00	2,607.50
	3,210.00	2,607.50

NOTE 15 AUDITOR'S FEES

The total fees expensed by the Company and due for the current financial period to the audit firm are presented as follows:

	2016 EUR	2015 EUR
KPMG Malta audit fees	10,620.00	0.00
KPMG Malta tax related fees	790.27	0.00
KPMG Lux audit fees	13,000.00	13,000.00
KPMG Lux audit related fees	14,704.02	11,835.00
KPMG Baltic audit	5,000.00	5,000.00
Auditors fees	44,114.29	29,835.00

NOTE 16 ADVANCES AND LOANS GRANTED TO THE MEMBERS OF THE MANAGEMENT AND SUPERVISORY BODIES

During the year ended December 31, 2016, the Company did not grant any loans to the management or supervisory bodies (2015: nil)

NOTE 17 EMOLUMENTS AND COMMITMENTS GRANTED TO THE MEMBERS OF THE MANAGEMENT AND SUPERVISORY BODIES

During the year ended December 31, 2016 the Company did not grant any emoluments to the management or supervisory bodies nor were any commitments arisen in respect of retirement pensions for former members of those bodies.

NOTE 18 IMPORTANT EVENTS SINCE THE BALANCE SHEET DATE

The Company's USD denominated senior notes maturing 2019 contained an embedded put option exercisable by bondholders in the summer of 2017. To address the potential exercise of this put option and to further strengthen its long-term capital structure, the Company embarked on a refinancing and debt-raising exercise in the first quarter of 2017. On April 13, 2017, the Company announced the pricing of a new issue of USD 325 million USD Notes due 2022, with a coupon of 10.75%, issued at par. These senior notes have a 5 year maturity with a 2 year non-call period. Closing occurred on April 28, 2017.

The Company also announced the successful result of a parallel tender process for its existing USD 2019 Notes. A total of USD 132 million in notional amount of USD 2019 Notes was validly tendered prior to the tender deadline. This 66% tender result exceeds the 50% requirement for both the new issue to proceed and the associated consent solicitation to remove certain terms and covenants (including the put option) on the residual USD 2019 Notes, which remain outstanding.

Part of the proceeds will be used to repay the Company's SEK 2018 Notes. The early redemption will take place on May 31, 2017.

As at December 31, 2016, the Company had an outstanding loan facility agreement with V7 Limited, a UK-based consumer lending company, for a maximum of GBP 30 million. On January 17, 2017 a new agreement was signed to restructure this loan. At the time of the agreement, the outstanding amount on this facility totalled GBP 14.7 million principal plus GBP 1.5 million in accrued interest. As part of the restructuring of this loan, this obligation was transferred from V7 Limited to 4finance Holding S.A.

To the Board of Directors of
4finance S.A.
9, Allée Scheffer
L-2520 Luxembourg

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the annual accounts

Following our appointment by the Board of Directors we have audited the accompanying annual accounts of 4finance S.A., which comprise the balance sheet as at 31 December 2016 and the profit and loss account for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts, and for such internal control as the Board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

Responsibility of the Réviseur d'Entreprises agréé

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the judgement of the Réviseur d'Entreprises agréé, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the Réviseur d'Entreprises agréé considers internal control relevant to the entity's preparation and fair presentation of the annual accounts 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the annual accounts give a true and fair view of the financial position of 4finance S.A. as of 31 December 2016, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the management report and the Corporate Governance Statement but does not include the annual accounts and our report of Réviseur d'Entreprises agréé thereon.

Our opinion on the annual accounts does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the annual accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual accounts or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Report on other legal and regulatory requirements

The management report, is consistent with the annual accounts and has been prepared in accordance with the applicable legal requirements.

The information required by Article 68bis paragraph (1) letters c) and d) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended and included in the Corporate Governance Statement is consistent with the annual accounts and has been prepared in accordance with applicable legal requirements.

Luxembourg, 19 May 2017

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé



M. Weber