

4finance S.A.

Société anonyme

Annual accounts

**For the financial year ended
December 31, 2018**

(with the Report of Independent Auditors)

Registered office:

8-10 Avenue de la Gare L-1610

Grand Duchy of Luxembourg

Luxembourg Trade and Companies Register number: B173403

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MANAGEMENT REPORT FOR THE FINANCIAL YEAR ENDING ON

December 31, 2018

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, 2018 and the related statement of profit and loss for the period then ended.

During the year under review, the balance sheet amounts to EUR 535.336.186,41 and the result of the year shows a profit of EUR 6.171.922,02 which the Board of Directors proposes to allocate as follows:

Results brought forward:	EUR	(76.356.674,02)
Results of the year:	EUR	<u>6.171.922,02</u>
Results to be carried forward:	EUR	(70.184.752,00)

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, 2018 (the 'Period').

The share capital of 4finance S.A. as at December 31, 2018 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 digital consumer lending groups and active in 16 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.

Important events in 2018 and future developments

During the reporting period, the Company continued its lending activities to companies within the Group.

It is the intention of the management of the Company to continue to lend to companies within the Group 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 78.3 million, compared with EUR 74.9 million in 2017. 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 61.2 million, compared to EUR 61.7 million for the same period in 2017.

As of December 31, 2018, the aggregate principal of the loans granted by the Company amounted to EUR 382.9 million and the related accrued interest amounted to EUR 88.3 million, compared to EUR 460.3 million and EUR 68.1 million, respectively, as at December 31, 2017.

In August 2014, the Company issued USD 200 million of 11,75% notes (the '2019 Notes') which are listed on the Irish Stock Exchange and are senior to all of the Group's future subordinated debt. The 2019 Notes will mature in August 2019. Following the tender offer conducted in April 2017, an amount of USD 68 million nominal value remains outstanding.

In May 2016, the Company issued EUR 100 million of 11,25% notes (the '2021 Notes') which are senior to all of the Group's future subordinated debt. The 2021 Notes are listed on the Prime Standard regulated market segment of the Frankfurt Stock Exchange. In November 2016, a further EUR 50 million of 2021 Notes were issued at par. The 2021 Notes will mature in May 2021 and are currently callable at 104%.

In April 2017, the Company issued USD 325 million of 10,75% notes (the '2022 Notes') which are listed on the Irish Stock Exchange and will mature in May 2022 and are first callable at 105.4% from May 2019. The

Company re-purchased USD 10 million of the issued '2022 Notes' in July, 2018 and a further USD 15 million of the issued '2022 Notes' in December 2018.

Currently the management do not intend to sell the re-purchased USD 25 million bonds from the issued '2022 Notes'.

The Company generated a profit during the reporting period. The profit for the year amounts to EUR 6.2 million, compared to EUR 54.3 million of losses for the twelve months ended December 31, 2017.

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 and the bonds issued 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 swap and forward contracts.

Employees

The Company employed 3 employees during the financial year, 1 for the Malta branch (till 31 May, 2018) and 2 for the registered office in Luxembourg.

Research and development

The Company does not undertake any research or development activities.

Going concern

As at 31 December 2018, the Company's net assets are less than half of its share capital. The decrease in net assets was mostly caused by value adjustments on some of the granted loans. The Company is expected to have sufficient revenues to support its operations in the future.

Based on the above, Board of Directors have proposed to the sole shareholder of the Company to decide on the continuation the Company's activities and businesses. Also Board of Directors have requested the sole shareholder to waive the right to receive a special report from the Board of Directors as permitted by article 480-2 paragraph 2 of the Luxembourg Company Law.

Subsequent events

On 1 February 2019, 4finance S.A. Malta Branch was successfully closed. The Malta Branch has been inoperative since November 2017 when the loan portfolio was transferred to Luxembourg.

In March 2019, the Group agreed to sell the loan made by 4finance SA to Spotcap S.a.r.l to Tirona Limited for its outstanding principal value of EUR 4.9 million.

In March 2019, the Company re-purchased USD 15 million of the issued '2022 Notes' by way of market purchases.

In April 2019, the Company re-purchased USD 5 million of the issued '2022 Notes'.

The Group has appointed PKF Audit & Conseil, a member of the PKF International network, as its auditor. This follows a tender process to replace KPMG, who had audited the group (and its predecessor Latvian holding company) since the business started more than 10 years ago.

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.

Executive committee of the Group 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 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. The parent holding company of the Group and direct shareholder of Holdco is 4finance Group S.A. (Luxembourg). With a 100% shareholding in 4finance Group S.A., Tirona Limited (Cyprus) is the indirect shareholder of the Group, ultimately owned by significant ultimate beneficial owners: Vera Boiko (49%) (held in trust) and Edgars Dupats (29.5%), with remaining 21.5% owned by various minority shareholders, each holding less than 10%.

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 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, approved 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 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 Luxemburg 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 defence, 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 any 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.

We recommend that you:

1. Approve the annual accounts as of December 31, 2018 as presented to you.
2. Grant discharge to the Directors for the exercise of their mandate through December 31, 2018.
3. Allocate the profit to the next financial year.

Luxembourg, April 29, 2019

On behalf of the Board of Directors



Paul Andrew Goldfinch

Category B director and Chairman of the Board of Directors

	Notes	31/12/2018 EUR	31/12/2017 EUR
ASSETS			
A. Subscribed capital unpaid		—	—
I. Subscribed capital not called		—	—
II. Subscribed capital called but unpaid		—	—
B. Formation expenses		—	—
C. Fixed assets		—	—
I. Intangible fixed assets		—	—
II. Tangible assets		—	—
III. Financial assets		—	—
1. Shares in affiliated undertakings		—	—
2. Loans to affiliated undertakings		—	—
3. Participating interests		—	—
4. Loans to undertakings with which the Company is linked by virtue of participating interests		—	—
5. Investments held as fixed assets		—	—
6. Other loans		—	—
D. Current assets		535.278.345,65	561.154.500,65
I. Stocks		—	—
II. Debtors		481.090.295,76	540.825.345,05
2. Amounts owed by affiliated undertakings	3	476.173.201,27	531.667.720,82
a) becoming due and payable within one year		476.173.201,27	531.667.720,82
b) becoming due and payable after more than one year		—	—
4. Other debtors	4	4.917.094,49	9.157.624,23
a) becoming due and payable within one year		4.901.266,90	—
b) becoming due and payable after more than one year		15.827,59	9.157.624,23
III. Investments		—	—
1. Shares in affiliated undertakings and undertakings with which the Company is linked by virtue of participating interests		—	—
2. Own shares		—	—
3. Other investments		—	—
IV. Cash at bank and cash in hand		54.188.049,89	20.329.155,60
E. Prepayments	5	57.840,76	60.650,35
TOTAL (ASSETS)		<u>535.336.186,41</u>	<u>561.215.151,00</u>

	Notes	31/12/2018 EUR	31/12/2017 EUR
CAPITAL, RESERVES AND LIABILITIES			
A. Capital and reserves	6	29.867.113,70	23.695.191,68
I. Subscribed capital		100.000.000,00	100.000.000,00
II. Share premium and similar premiums		—	—
III. Revaluation reserve		—	—
IV. Reserves		51.865,70	51.865,70
1. Legal reserve		51.865,70	51.865,70
2. Reserve for own shares		—	—
3. Reserve provided for by the articles of association		—	—
4. Other reserves		—	—
V. Profit or loss brought forward		(76.356.674,02)	(22.015.355,39)
VI. Profit or loss for the financial year		6.171.922,02	(54.341.318,63)
VII. Interim dividends		—	—
VIII. Capital investment subsidies		—	—
B. Provisions		—	—
1. Provisions for pensions and similar obligations		—	—
2. Provisions for taxation		—	—
3. Other provisions		—	—
C. Creditors		505.469.072,70	537.519.959,32
1. Debenture loans		492.925.844,46	525.493.874,20
a) Convertible loans		—	—
i) becoming due and payable within one year		—	—
ii) becoming due and payable after more than one year		—	—
b) Non-convertible loans	7	492.925.844,46	525.493.874,20
a) becoming due and payable within one year		68.651.919,48	9.112.260,37
b) becoming due and payable after more than one year		424.273.924,98	516.381.613,83
2. Amounts owed to credit institutions		—	—
3. Payments received on accounts of orders as far as they are not shown separately as deductions from stocks		—	—
a) becoming due and payable within one year		—	—
b) becoming due and payable after more than one year		—	—
4. Trade creditors		—	—
a) becoming due and payable within one year		—	—
b) becoming due and payable after more than one year		—	—
5. Bills of exchange payable		—	—
a) becoming due and payable within one year		—	—
b) becoming due and payable after more than one year		—	—
6. Amounts owed to affiliated undertakings	8	12.098.861,42	11.286.518,00
a) becoming due and payable within one year		588.109,02	134.702,81
b) becoming due and payable after more than one year		11.510.752,40	11.151.815,19
7. Amounts owed to undertakings with which the company is linked by virtue of participating interests		—	—
a) becoming due and payable within one year		—	—

b) becoming due and payable after more than one year		—	—
8. Other creditors	9	444.366,82	739.567,12
a) Tax authorities		302.514,35	643.107,80
b) Social security authorities		—	—
c) Other creditors		141.852,47	96.459,32
i) becoming due and payable within one year		141.852,47	96.459,32
ii) becoming due and payable after more than one year		—	—
D. Deferred income			
TOTAL (CAPITAL, RESERVES AND LIABILITIES)		535.336.186,40	561.215.151,00



	Notes	2018 EUR	2017 EUR
PROFIT AND LOSS ACCOUNT			
1. Net turnover		—	—
2. Variation in stocks of finished goods and work in progress		—	—
3. Work performed by the undertaking for its own purposes amnd capitalised		—	—
4. Other operating income		—	—
5. Raw materials and consumables and other external expenses	10	(2.213.329,65)	(20.225.974,96)
a) Raw materials and consumables		—	—
b) Other external expenses		(2.213.329,65)	(20.225.974,96)
6. Staff costs	11	(232.875,71)	(235.712,04)
a) Wages and salaries		(216.462,56)	(219.655,56)
b) Social security costs		(16.413,15)	(16.056,48)
i) relating to pensions		—	—
ii) other social security costs		(16.413,15)	(16.056,48)
c) Other staff costs		—	—
7. Value adjustments	3	(12.506.082,95)	(28.522.221,42)
a) in respect of formation expenses and of tangible and intangible fixed assets		—	—
b) in respect of current assets		(12.506.082,95)	(28.522.221,42)
8. Other operating expenses		—	—
9. Income from participating interests		—	—
a) derived from affiliated undertakings		—	—
b) other income from participating interests		—	—
10. Income from other investments and loans forming part of the fixed assets		—	—
a) derived from affiliated undertakings		—	—
b) other income not included under		—	—
11. Other interest receivable and similar income	12	78.274.751,33	74.868.922,55
a) derived from affiliated undertakings		61.249.610,44	61.662.717,32
b) other interest and similar income		17.025.140,89	13.206.205,23
12. Share of profit or loss of undertakings accounted for under the equity method		—	—
13. Value adjustments in respect of financial assets and of investments held as current assets		—	—
14. Interest payable and similar expenses	13	(57.090.269,37)	(80.196.292,20)
a) concerning affilated undertakings		(1.229.113,74)	(2.483.019,14)
b) other interest and similar expenses		(55.861.155,63)	(77.713.273,06)
15. Tax on profit or loss	14	(51.473,13)	(25.225,56)
16. Profit or loss after taxation		6.180.720,52	(54.336.503,63)
17. Other taxes not shown under items 1 to 16	14	(8.798,50)	(4.815,00)
18. Profit or loss for the financial year		<u>6.171.922,02</u>	<u>(54.341.318,63)</u>

NOTE 1 GENERAL INFORMATION

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

The Company is part of a group of companies ultimately owned by 4finance Group S.A. (collectively, the “Group”).

The Company’s registered office is established in Luxembourg.

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

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 10 August, 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 8-10 Avenue de la Gare, L-1610, Grand Duchy of 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 8-10 Avenue de la Gare, L-1610, Grand Duchy of 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.

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 recoverable 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.

Margin requirements of the hedge deals are accounted in other debtors.

Foreign currency translation

The Company maintains its accounting records in 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 payments incurred during the financial year but relating to a expenditure 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 within one year	b) Becoming due and payable after more than one year	Total 2018 EUR	Total 2017 EUR
Principal of the loans granted	382.874.930,49	—	382.874.930,49	460.251.857,82
Accrued interest	88.255.306,80	—	88.255.306,80	68.102.149,09
Other receivables	5.042.963,99	—	5.042.963,99	3.313.713,90
Total	476.173.201,27	—	476.173.201,27	531.667.720,82

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

In 2018 Management decided to recognize a value adjustment amounting to EUR 12,5 million on loans principal and interest of some loans.

The interest income of the period in relation with these loans amounted to EUR 5,6 million.

Other receivables mainly consist of compensation invoices for received services.

NOTE 4 OTHER DEBTORS

	a) Becoming due and payable within one year	b) Becoming due and payable after more than one year	Total 2018 EUR	Total 2017 EUR
Receivable from tax and social security	—	15.827,59	15.827,59	43.738,50
Foreign exchange hedging - margin requirements	4.901.266,90	—	4.901.266,90	9.113.885,73
Total	4.901.266,90	15.827,59	4.917.094,49	9.157.624,23

As of 31 December, 2018, the Company had the following foreign exchange hedge contracts outstanding:

Currency	Amount purchased	Currency	Amount sold	Maturity date	Fair value EUR	Variation recorded in profit and loss account EUR
USD	2.963.000,00	EUR	2.213.175,98	14.08.2019	362.091,09	—
USD	40.000.000,00	EUR	35.298.270,38	31.10.2019	(1.312.602,00)	—
USD	40.000.000,00	EUR	35.096.955,34	31.10.2019	(1.110.084,00)	—
USD	80.000.000,00	EUR	69.979.006,30	18.11.2019	411.005,00	—
USD	6.050.000,00	EUR	5.000.000,00	09.08.2019	(2.111.530,00)	—
USD	20.000.000,00	EUR	24.494.000,00	22.06.2020	165.852,00	—
USD	46.528.000,00	EUR	40.000.000,00	29.04.2022	676.164,29	—
USD	46.476.000,00	EUR	40.000.000,00	29.04.2022	688.639,50	—
	282.017.000,00		252.081.408,00		(2.230.464,12)	—

NOTE 5 PREPAYMENTS

	2018 EUR	2017 EUR
Surveillance fee	29.006,25	28.525,29
Subscription fees	9.921,94	1.365,00
Legal fees	9.357,57	25.504,81
Consultancy fee	8.190,00	—
Listing fee	1.365,00	1.365,00
	57.840,76	60.650,35

NOTE 6 CAPITAL AND RESERVES

Subscribed capital

As of December 31, 2018 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.

	2018 EUR	Number of Shares
Subscribed capital - opening balance	100.000.000,00	100.000.000
Subscriptions for the year	—	—
Redemptions for the year	—	—
Subscribed capital - closing balance	100.000.000,00	100.000.000

As at 31 December 2018, The Company's net assets are less than half of its share capital. The decrease in net assets was mostly caused by value adjustments on some of the granted loans. The Company is expected to have sufficient revenues to support its operations in the future.

Based on the above, the Board of Directors has proposed to the sole shareholder of the Company to decide on the continuation the Company's activities and businesses. Also the Board of Directors has requested the sole

shareholder to waive the right to receive a special report from the Board of Directors as permitted by article 480-2 paragraph 2 of the Luxembourg Company Law.

Legal reserve

In accordance with Luxembourg Law of 10 August, 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 reserves

	Legal reserve	Reserve for own shares	Other reserves	Total
As at the beginning of the year 2018	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 2018	51.865,70	—	—	51.865,70

Movements for the year on profit/loss items

	Profit or loss brought forward	Profit or loss for the financial year	Total
As at the beginning of the year 2018	(22.015.355,39)	(54.341.318,63)	(76.356.674,02)
Allocation of the prior year's result:	(54.341.318,63)	54.341.318,63	—
Appropriation to the legal reserve	—	—	—
Dividend distribution	—	—	—
Other movements	—	—	—
Result for the financial year	—	6.171.922,02	6.171.922,02
As at the end of the year 2018	(76.356.674,02)	6.171.922,02	(70.184.752,00)

NOTE 7 DEBENTURE LOANS

b) Non-convertible loans

Loan provider/ type of loan	Currency	Maturity	Interest rate	Principal amount EUR		Accrued interest EUR	
				31.12.2018	31.12.2017	31.12.2018	31.12.2017
Notes:							
2019 Notes	USD	Aug 2019	11.75%	59.644.541,48	69.234.861,77	2.647.554,91	2.564.523,93
2021 Notes	EUR	May 2021	11.25%	149.800.000,00	149.800.000,00	1.724.046,96	1.746.546,93
2022 Notes	USD	May 2022	10.75%	274.473.924,98	297.346.752,06	4.635.776,12	4.801.189,51
				483.918.466,46	516.381.613,83	9.007.378,00	9.112.260,37

In August 2014, the Company issued USD 200 million of 11,75% notes (the '2019 Notes') which are listed on the Irish Stock Exchange and are senior to all of the Group's future subordinated debt. The 2019 Notes will mature in August 2019. Following the tender offer conducted in April 2017, an amount of USD 68 million nominal value remains outstanding.

In May 2016, the Company issued EUR 100 million of 11,25% notes (the '2021 Notes') which are senior to all of the Group's future subordinated debt. The 2021 Notes are listed on the Prime Standard regulated market segment of the Frankfurt Stock Exchange. In November 2016, a further EUR 50 million of 2021 Notes were issued at par. The 2021 Notes will mature in May 2021 and are currently callable at 104%.

In April 2017, the Company issued USD 325 million of 10,75% notes (the '2022 Notes') which are listed on the Irish Stock Exchange and will mature in May 2022. The 2022 Notes are first callable at 105.4% from May 2019. The company re-purchased USD 10 million of the issued '2022 Notes' in July, 2018 and a further USD 15 million of the issued '2022 Notes' in December 2018.

Currently the management do not intend to sell the re-purchased USD 25 million bonds from the issued '2022 Notes'.

	i) Becoming due and payable within one year	ii) Becoming due and payable after more than one year	Total 2018 EUR	Total 2017 EUR
Bonds	59.644.541,48	424.273.924,98	483.918.466,46	516.381.613,83
Bond coupons	9.007.378,00	—	9.007.378,00	9.112.260,37
Total	68.651.919,48	424.273.924,98	492.925.844,46	525.493.874,20

As at December 31, 2018 no debts are due after more than four 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 2018 EUR	Total 2017 EUR
4SPAR AB	104.833,19	11.510.752,40	11.615.585,59	11.261.025,39
4finance AS	483.275,84	—	483.275,84	25.488,05
4finance Group S.A.	—	—	—	4,56
Total	588.109,02	11.510.752,40	12.098.861,42	11.286.518,00

The amounts owed to affiliated undertakings correspond to:

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 11.151.815,11 and EUR 104.833,19 respectively as at December 31, 2018.

EUR 483.275,84 represents amounts owed to 4finance AS for services related to IT system administration, telecommunication costs and management fee.

NOTE 9 OTHER CREDITORS

Other creditors consist of:

- Tax and social security debts amounting to EUR 302.514.35 (2017: EUR 643.107,80)
- 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 2018 EUR	Total 2017 EUR
Other creditors	141.852,47	—	141.852,47	96.459,32
Total	141.852,47	—	141.852,47	96.459,32

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

NOTE 10 OTHER EXTERNAL EXPENSES

	2018	2017
	EUR	EUR
Management and consulting fees	1.278.286,49	113.204,11
Other professional fees	382.562,88	169.902,99
Legal fees	305.206,37	366.060,60
Audit and accounting fees	108.635,86	101.861,13
Bank fees	60.806,02	52.825,53
Tax advisory fees	32.095,25	41.971,57
Directors fees	22.961,69	—
Rental charges	10.747,09	19.352,08
Administration fees	9.352,98	16.850,14
IT expenses	2.633,04	5.035,78
Transportation expenses	41,98	—
Fees related to bonds issue	—	19.336.756,50
Marketing expenses	—	2.154,53
Total	2.213.329,65	20.225.974,96

Other professional fees includes: credit rating services and market research services.

NOTE 11 STAFF COSTS

	2018	2017
	EUR	EUR
Wages and salaries	216.462,56	219.655,56
Social security costs	16.413,15	16.056,48
Total	232.875,71	235.712,04

The Company employed 3 employees during the financial year, 1 for the Malta branch (till May 31, 2018) and 2 for the registered office in Luxembourg.

NOTE 12 OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2018	2017
	EUR	EUR
a) Derived from affiliated undertakings	61.249.610,44	61.662.717,32
b) Other interest and similar income	17.025.140,89	13.206.205,23
Total	78.274.751,33	74.868.922,55

Other interest and similar income mainly consists of a reversal of unrealized exchange losses of EUR 15.128.992,47.

The position also includes interest from bank deposit amounting to EUR 226.627,94.

NOTE 13 INTEREST PAYABLE AND SIMILAR EXPENSES

	2018	2017
	EUR	EUR
Interest expense on bonds	52.481.548,19	50.621.818,67
Loss on exchange differences	1.633.703,92	23.241.522,46
Loss on financial assets sold	1.745.334,32	—
Interest expense concerning affiliated undertakings	1.229.113,74	2.483.019,14
Penalties	569,20	11,75
Loss on derivatives	—	3.816.604,87
Loss on bank accounts closing	—	19.631,98
Bank interest	—	13.683,33
Total	57.090.269,37	80.196.292,20

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

	2018	2017
	EUR	EUR
Corporate Income Tax Luxembourg	50.090,11	(26.986,47)
Malta tax on Malta Branch revenue	1.383,02	14.474,18
Malta withholding tax	—	37.737,85
	51.473,13	25.225,56

Other taxes

	2018	2017
	EUR	EUR
Net Wealth Tax	4.815,00	4.815,00
Foreign taxes	3.983,50	—
	8.798,50	4.815,00

NOTE 15 AUDITOR FEES

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

	2018 EUR	2017 EUR
PKF Audit & Conseil audit fees	50.000,00	—
KPMG Malta audit fees	14.040,00	10.620,00
KPMG Baltic audit	—	6.025,50
KPMG Lux audit fees	—	18.014,20
KPMG Malta tax related fees	—	790,27
KPMG Lux audit related fees	—	137.241,00
KPMG Baltic audit related fees	—	28.665,00
Total	64.040,00	201.355,97

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

During the year ended December 31, 2018, the Company did not grant any loans to the board of directors (2017: nil)

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

During the year ended December 31, 2018 the Company did not grant any emoluments to the board of directors 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

On 1 February 2019, 4finance S.A. Malta Branch was successfully closed. The Malta Branch has been inoperative since November 2017 when the loan portfolio was transferred to Luxembourg.

In March 2019, the Group agreed to sell the loan made by 4finance SA to Spotcap S.a.r.l to Tirona Limited for its outstanding principal value of EUR 4.9 million.

In March 2019, the Company re-purchased USD 15 million of the issued '2022 Notes' by way of market purchases.

In April 2019, the Company re-purchased USD 5 million of the issued '2022 Notes'.

Independent Auditor's Report

To the Shareholders of
4finance S.A
8-10, Avenue de la Gare
L-1610 Luxembourg

Report on the Audit of the Annual accounts

Opinion

We have audited the annual accounts of 4finance S.A (the "Company") which comprise the balance sheet as at 31 December 2018, and the profit and loss account for the year then ended, and notes to the annual accounts, including a summary of significant accounting policies.

In our opinion, the accompanying annual accounts present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and its financial performance for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts.

Basis for Opinion

We conducted our audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession ("Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under the EU regulation N° 537/2014, the Law of 23 July 2016 and ISAs are further described in the « Responsibilities of "Réviseur d'Entreprises Agréé" for the Audit of the Annual accounts » section of our report. We are also independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the annual accounts, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of the audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of Amounts owed by affiliated undertakings

The Company is a financing entity entering into financing arrangements to fund the subsidiaries of the 4finance Group S.A. ("the Group"). The Company has no substantial assets other than the amounts owed by affiliated undertakings amounting to EUR 476.173.201 and representing 89 % of the Total Assets as at 31 December 2018. The provision recognized for the financial year 2018 is amounting to EUR 12.506.083.

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Certain aspects of the valuation of amounts owed by affiliated undertakings require significant management judgement, such as the identification of exposures that are deteriorating, the assessment of objective evidence for impairment and the estimation of the recoverable amount.

Due to the significance of amounts owed by affiliated undertakings balance and the significant management judgement involved, we consider their valuation as a key audit matter.

We refer to the accounting policies in Note 2 Summary of significant accounting policies and Note 3 Amounts owed by affiliated undertakings to the annual accounts.

Our approach over the valuation of the amounts owed by affiliated undertakings included but were not limited to:

- Testing of the design and implementation of relevant key controls on the valuation of amounts owed by affiliated undertakings as at 31 December 2018 and throughout 2018,
- For a risk-based sample of the amounts owed by affiliated undertakings, we assessed whether there is a need and objective evidence for impairment and compared our results with the assessment made by management,
- When impairment losses were identified by the Company, we assessed whether the estimates made regarding the amounts and timing of future cash flows are appropriate, and how, if relevant, deferrals of payments were taken into account.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information stated in the annual report including the management report but does not include the annual accounts and our report of the "*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.

Responsibilities of the Board of Directors and Those Charged with Governance for the Annual accounts

The Board of Directors is responsible for the preparation and fair presentation of the annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation 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.

In preparing the annual accounts, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the “Réviseur d’Entreprises Agréé” for the Audit of the Annual accounts

The objectives of our audit are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the “Réviseur d’Entreprises Agréé” that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF 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 annual accounts.

As part of an audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, 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 our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of Board of Directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the “Réviseur d’Entreprises Agréé” to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the “Réviseur d’Entreprises Agréé”. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We 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 we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

Report on Other Legal and Regulatory Requirements

We have been appointed as “Réviseur d'Entreprises Agréé” by the Board of Directors on 14 February 2019 and for a period ending at the annual general meeting to be held in 2019 in relation to the approval of the annual accounts of the Company as of 31 December 2018.

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

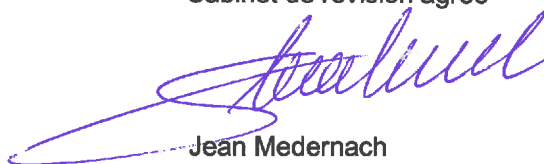
The Corporate Governance Statement includes, when applicable, information required by Article 68ter paragraph (1) points a), b), e), f) and g) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended.

We confirm that the audit opinion is consistent with the additional report to those charged with governance.

We confirm that the prohibited non-audit services referred to in the EU Regulation No 537/2014 were not provided and that we remained independent of the Company in conducting the audit.

Luxembourg, 29 April 2019

PKF Audit & Conseil Sàrl
Cabinet de révision agréé



Jean Medernach