

4finance S.A.
Société anonyme

Half - yearly financial report
For the period from 1 January 2020 till
30 June 2020

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 PERIOD ENDING ON

June 30, 2020

To the sole shareholder of **4finance S.A.** (“the Company”):

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

In accordance with our duties as Directors of 4finance S.A. we hereby submit the balance sheet as of June 30, 2020 and the related statement of profit or loss for the six month period then ended (the "Period").

During the half year under review, the balance sheet amounts to EUR 467,08 million and the result of the half year shows a loss of EUR 1,08 million which the Board of Directors proposes to allocate as follows:

Results brought forward:	EUR	<u>(58.369.138,85)</u>
Results of the Period	EUR	<u>(1.084.036,09)</u>
Results to be carried forward	EUR	<u>(59.453.174,94)</u>

4finance S.A., a Luxembourg based company, presents its unaudited half-yearly financial report together with the half-yearly accounts for the six month period ending June 30, 2020.

The share capital of 4finance S.A. as at June 30, 2020 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 15 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 from January 1, 2020 until June 30, 2020 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

Loss for the period January 1, 2020 until June 30, 2020 amounted to EUR 1,08 million, compared with profit of EUR 5,71 million for the same period in 2019. 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 for the period from January 1, 2020 until June 30, 2020 in relation to these loans amounted to EUR 25,8 million, compared to EUR 27,7 million for the same period in 2019.

As of June 30, 2020, the aggregate principal of the loans granted by the Company amounted to EUR 332,4 million and the related accrued interest amounted to EUR 77,7 million, compared to EUR 362,9 million and EUR 65,2 million, respectively, as at December 31, 2019.

In May 2016, the Company issued EUR 100 million of 11,25% notes (the 'EUR Notes') which are senior to all of the Group's future subordinated debt. The EUR Notes are listed on the Prime Standard regulated market segment of the Frankfurt Stock Exchange. In November 2016, a further EUR 50 million of EUR Notes were issued at par. Following a bondholder vote, in August 2020 the maturity of the EUR bonds was extended from May 2021 to February 2022, and they are callable at 104% until that date.

In April 2017, the Company issued USD 325 million of 10,75% notes (the 'USD Notes') which are listed on the Irish Stock Exchange and will mature in May 2022 and are currently callable at 102,7%.

During 2018, the Company re-purchased USD 25 million of the issued USD Notes and during 2019, the Company re-purchased a further USD 25 million of USD Notes. As of December 31, 2019, the Company

owned a total of USD 50 million of its USD Notes. Management does not intend to sell these re-purchased bonds. During the Period, there were further re-purchases of USD Notes totalling a nominal value of USD 35 877 thousands and net re-purchases of EUR Notes with nominal value of EUR 1 054 thousands. There is no intention to sell these bonds in foreseeable future.

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, ie 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 had one employee during the financial year.

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.

The 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 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 the 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 conflicts 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 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 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.

Important events since the balance sheet date

Bond repurchases and maturity extension

In July 2020, the Company re-purchased USD 8,7 million of the issued USD Notes.

As noted above, following a vote of EUR bondholders, in August 2020 the maturity of the EUR bonds was extended from May 2021 to February 2022, and they are callable at 104% until that date.

Covid-19

Covid-19, characterised as a pandemic by the WHO on 11 March, is continuing to spread with increasing cases in autumn in many European countries, including where many of the operating businesses funded by 4finance S.A. (i.e. its debtors) are active.

The main source of income for the Company is interest income from the loans it issues to related entities. The main liabilities consist of its issued notes and the accrued interest expense. The Company's management is closely monitoring the operations of debtors that form a Group of related companies (referred as the Group) and its credit risk.

During the pandemic the Group has adapted its operations and has been able to provide continuous service to its customers. The executive committee of the Group meets regularly to monitor the situation and lead the Group's response. The Group's management has analysed potential adverse scenarios across all markets and concluded that the Company's debtors will be able to make interest payments and loan repayments to 4finance S.A. in an amount larger than the interest expense payments for the Company's notes and other liabilities. The Company's management thus concludes that the Company's cash position will remain above minimum operating levels during the forecasting period of the next 12 months.

Management

On 1 October, Kieran Donnelly rejoined the Group as CEO, and accordingly was appointed as a Category B Director of the Company, replacing Oyvind Oanes.

We recommend that you:

1. Approve the interim accounts as of June 30, 2020 as presented to you.

Luxembourg, October 7, 2020

On behalf of the Board of Directors



Fabrice Hablot

Category A director



Paul Andrew Goldfinch

Category B director

	Notes	30.06.2020	31.12.2019
ASSETS		EUR	EUR
A. Subscribed capital unpaid		—	—
I. Subscribed capital not called		—	—
II. Subscribed capital called but unpaid		—	—
B. Formation expenses		—	—
C. Fixed assets		27.547.458,95	4.258.837,89
I. Intangible fixed assets		—	—
II. Tangible assets		—	—
III. Financial assets	3	27.547.458,95	4.258.837,89
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		27.547.458,95	4.258.837,89
6. Other loans		—	—
D. Current assets		439.505.271,52	462.024.185,23
I. Stocks		—	—
II. Debtors		412.487.005,63	434.972.106,29
2. Amounts owed by affiliated undertakings	4	410.101.146,94	431.320.644,55
a) becoming due and payable within one year		410.101.146,94	431.320.644,55
b) becoming due and payable after more than one year		—	—
4. Other debtors	5	2.385.858,69	3.651.461,74
a) becoming due and payable within one year		2.350.657,57	3.621.075,62
b) becoming due and payable after more than one year		35.201,12	30.386,12
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		27.018.265,89	27.052.078,94
E. Prepayments	6	30.932,94	55.956,87
TOTAL (ASSETS)		467.083.663,41	466.338.979,99

	Notes	30.06.2020	31.12.2019
CAPITAL, RESERVES AND LIABILITIES		EUR	EUR
A. Capital and reserves	7	40.598.690,76	41.682.726,85
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		(58.369.138,85)	(70.184.752,00)
VI. Profit or loss for the relevant financial period		(1.084.036,09)	11.815.613,15
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		426.484.972,65	424.656.253,14
1. Debenture loans		406.823.007,89	407.472.976,47
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	8	406.823.007,89	407.472.976,47
a) becoming due and payable within one year		155.221.909,99	6.071.878,57
b) becoming due and payable after more than one year		251.601.097,90	401.401.097,90
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	9	14.139.341,37	11.492.276,71
a) becoming due and payable within one year		628.589,01	271.333,29
b) becoming due and payable after more than one year		13.510.752,36	11.220.943,42
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	10	5.522.623,39	5.690.999,96
a) Tax authorities		417.248,80	291.090,90
b) Social security authorities		—	—
c) Other creditors		5.105.374,59	5.399.909,06
i) becoming due and payable within one year		5.105.374,59	5.399.909,06
ii) becoming due and payable after more than one year		—	—
D. Deferred income		—	—
TOTAL (CAPITAL, RESERVES AND LIABILITIES)		<u>467.083.663,41</u>	<u>466.338.979,99</u>

	Notes	01.01.2020 -	01.01.2019 -
		30.06.2020	30.06.2019
PROFIT OR LOSS ACCOUNT		EUR	EUR
1. Net turnover		—	—
2. Variation in stocks of finished goods and work in progress		—	—
3. Work performed by the undertaking for its own purposes and capitalised		—	—
4. Other operating income		—	—
5. Raw materials and consumables and other external expenses	11	(1.233.619,15)	(1.052.445,69)
a) Raw materials and consumables		—	—
b) Other external expenses		(1.233.619,15)	(1.052.445,69)
6. Staff costs	12	(39.548,07)	(98.595,76)
a) Wages and salaries		(36.626,01)	(92.562,49)
b) Social security costs		(2.922,06)	(6.033,27)
i) relating to pensions		—	—
ii) other social security costs		—	—
c) Other staff costs		—	—
7. Value adjustments		(1.194.947,31)	—
a) in respect of formation expenses and of tangible and intangible fixed assets		—	—
b) in respect of current assets		(1.194.947,31)	—
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	13	33.834.635,16	33.017.178,50
a) derived from affiliated undertakings		25.829.601,48	27.793.616,38
b) other interest and similar income		8.005.033,68	5.223.562,12
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	14	(32.439.039,18)	(26.132.612,13)
a) concerning affiliated undertakings		(602.588,60)	(583.191,40)
b) other interest and similar expenses		(31.836.450,58)	(25.549.420,73)
15. Tax on profit or loss	15	—	(9.619,86)
16. Profit or loss after taxation		(1.072.518,55)	5.723.905,06
17. Other taxes not shown under items 1 to 16	15	(11.517,54)	(11.613,65)
18. Profit or loss for the financial year		<u>(1.084.036,09)</u>	<u>5.712.291,41</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.

Financial assets

Long term investments into debt instruments (bonds) are disclosed under item Investments held as fixed assets. These investments are valued at cost. In case of durable depreciation in value, according to the opinion of the management, value adjustments are made in respect of financial assets, so that the lower value is attributed to them at the balance sheet date. These value adjustments are reversed if the reason for which they were made have ceased to exist.

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 or 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 FINANCIAL ASSETS

The investments held as fixed assets represent re-purchased own bonds of EUR 23 245 thousands presented at initial cost less any impairment and EUR 4 302 thousands high-grade liquid long-term bonds issued by third parties. The portfolio of the third party bonds consists of diversified investments where each is not higher than EUR 0,5 million.

NOTE 4 AMOUNTS OWED BY AFFILIATED UNDERTAKINGS

	a) Becoming due and payable within one year	b) Becoming due and payable after more than one year	Total 30.06.2020 EUR	Total 31.12.2019 EUR
Principal of the loans granted	332.355.489,35	—	332.355.489,35	362.912.749,86
Accrued interest	77.745.657,59	—	77.745.657,59	65.258.732,13
Other receivables	—	—	—	3.149.162,56
Total	410.101.146,94	—	410.101.146,94	431.320.644,55

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.

Amounts presented above are net of value adjustment recognized.

NOTE 5 OTHER DEBTORS

	a) Becoming due and payable within one year	b) Becoming due and payable after more than one year	Total 30.06.2020 EUR	Total 31.12.2019 EUR
Foreign exchange hedging - margin	2.325.111,62	—	2.325.111,62	3.595.501,84
Interest receivable from investment in bonds	25.545,95	—	25.545,95	25.573,78
Receivable from tax and social security	—	35.201,12	35.201,12	30.386,12
Total	2.350.657,57	35.201,12	2.385.858,69	3.651.461,74

As of June 30, 2020, 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 or loss account EUR
EUR	40.000.000,00	USD	46.528.000,00	29.04.2022	3.434.390,00	—
EUR	40.000.000,00	USD	46.476.000,00	29.04.2022	3.450.148,00	—
PLN	111.647.500,00	EUR	25.000.000,00	20.07.2020	(107.997,00)	—
PLN	89.166.000,00	EUR	20.000.000,00	24.07.2020	(50.704,00)	—
EUR	26.501.766,78	USD	30.000.000,00	02.11.2020	130.549,00	—
EUR	43.099.844,24	USD	50.000.000,00	29.04.2022	724.237,00	—
PLN	44.640.510,00	EUR	10.000.000,00	29.07.2020	(37.299,00)	—
Total					7.543.324,00	—

NOTE 6 PREPAYMENTS

	Total 30.06.2020 EUR	Total 31.12.2019 EUR
Legal fees	14.643,80	6.790,77
Consultancy fee	12.716,04	8.190,00
Subscription fees	2.919,21	9.001,10
Listing fee	653,89	1.750,00
Surveillance fee	—	30.225,00
Total	30.932,94	55.956,87

NOTE 7 CAPITAL AND RESERVES

Subscribed capital

As of June 30, 2020 subscribed capital amounted to EUR 100.000.000,00, represented by 100.000.000 shares of nominal value of EUR 1,00 each. The share capital is fully paid up.

	30.06.2020	Number of
	EUR	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 30 June 2020, the Company's net assets are less than a half of its share capital.

Based on the above, the Board 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 2020	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 30.06.2020	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 2020	(70.184.752,00)	11.815.613,15	(58.369.138,85)
Allocation of the prior year's result:	11.815.613,15	(11.815.613,15)	—
Appropriation to the legal reserve	—	—	—
Dividend distribution	—	—	—
Other movements	—	—	—
Result for the Period	—	(1.084.036,09)	(1.084.036,09)
As at 30.06.2020	(58.369.138,85)	(1.084.036,09)	(59.453.174,94)

NOTE 8 DEBENTURE LOANS

b) Non-convertible loans:

Loan provider/type of loan	Currency	Maturity	Interest rate	Principal amount EUR		Accrued interest EUR	
				30.06.2020	31.12.2019	30.06.2020	31.12.2019
Notes:							
EUR Notes	EUR	Feb 2022	11,25%	149.800.000,00	149.800.000,00	1.649.209,65	1.691.826,93
USD Notes	USD	May 2022	10,75%	251.601.097,90	251.601.097,90	3.772.700,34	4.380.051,64
Total				401.401.097,90	401.401.097,90	5.421.909,99	6.071.878,57

In May 2016, the Company issued EUR 100 million of 11,25% notes (the EUR Notes) which are senior to all of the Group's future subordinated debt. The EUR Notes are listed on the Prime Standard regulated market segment of the Frankfurt Stock Exchange. In November 2016, a further EUR 50 million of EUR Notes were issued at par. Following a bondholder vote, in August 2020 the maturity of the EUR bonds was extended from May 2021 to February 2022, and they are callable at 104% until that date.

In April 2017, the Company issued USD 325 million of 10,75% notes (the USD Notes) which are listed on the Irish Stock Exchange and will mature in May 2022. The USD Notes are currently callable at 102,7%.

In 2018, the Company re-purchased USD 25 million of the issued USD Notes and in 2019, the Company re-purchased a further USD 25 million of USD Notes. Management does not intend to sell the re-purchased bonds therefore these re-purchased bonds are decreasing the bond liability. In the 6 month 2020 period, re-purchases were made of USD Notes in nominal of USD 35 877 thousands and EUR Notes in nominal of EUR 1 054 thousands. These recently repurchased bonds are accounted at initial cost less impairment and presented in the assets under Investments held as fixed assets (see Note 3). There is no intention to sell these bonds in foreseeable future. As the bonds were re-purchased with a discount and placed in assets, then at the respective maturities, when re-purchased bonds in assets and liabilities will be derecognised, there will be recognised a gain of around EUR 8 million in total.

	i) Becoming due and payable within one year	ii) Becoming due and payable after more than one year	Total 30.06.2020 EUR	Total 2019 EUR
Bonds	149.800.000,00	251.601.097,90	401.401.097,90	401.401.097,90
Accrued interest	5.421.909,99	—	5.421.909,99	6.071.878,57
Total	155.221.909,99	251.601.097,90	406.823.007,89	407.472.976,47

The EUR bonds are presented as 'becoming due and payable within one year' in the table above, as the extension to the maturity of the EUR bonds was only formally completed subsequent to the balance sheet date. As at June 30, 2020 no debts are due after more than three years.

NOTE 9 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 30.06.2020 EUR	Total 2019 EUR
4SPAR AB	—	13.510.752,36	13.510.752,36	11.317.281,40
4finance AS	613.545,45	—	613.545,45	169.311,75
4finance Group S.A.	9.360,00	—	9.360,00	—
4finance AB	5.683,56	—	5.683,56	5.683,56
Total	628.589,01	13.510.752,36	14.139.341,37	11.492.276,71

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 2022 with maximum amount SEK 150 million and interest rate 11% per year. Principal and interest payable totalled EUR 13.284.751,74 and EUR 226.026,62 respectively as at June 30, 2020.

EUR 613.545,45 represents amounts owed to 4finance AS for services related to IT system administration, telecommunication costs and management fee.

EUR 5.683,56 represents amounts owed to 4finance AB for services related to legal costs received from third party.

NOTE 10 OTHER CREDITORS

Other creditors consist of:

- Tax and social security debts amounting to EUR 417.248,80 (2019: EUR 291.090,90)
- 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 30.06.2020 EUR	Total 2019 EUR
Foreign exchange hedging - margin requirements	4,958,518.30	—	4,958,518.30	5.349.829,80
Other creditors	146,856.29	—	146,856.29	50.079,26
Total	5.105.374,59	—	5.105.374,59	5.399.909,06

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

NOTE 11 OTHER EXTERNAL EXPENSES

	01.01.2020 - 30.06.2020	01.01.2019 - 30.06.2019
	EUR	EUR
Management and consulting fees	511.130,92	551.535,29
Bank fees	233.895,84	110.258,88
Other professional fees	158.507,00	137.482,58
Legal fees	157.114,55	100.134,39
Directors fees	73.410,06	49.531,13
Administration fees	42.398,02	4.501,96
Audit and accounting fees	26.694,25	40.909,91
Rental charges	18.720,00	21.899,83
Tax advisory fees	10.493,69	34.830,90
IT expenses	1.254,82	1.360,82
Transportation expenses	34,40	41,98
Total	<u>1.233.619,15</u>	<u>1.052.445,69</u>

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

NOTE 12 STAFF COSTS

	01.01.2020 - 30.06.2020	01.01.2019 - 30.06.2019
	EUR	EUR
Wages and salaries	36.626,01	92.562,49
Social security costs	2.922,06	6.033,27
Total	<u>39.548,07</u>	<u>98.595,76</u>

The Company had one employee during the Period.

NOTE 13 OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	01.01.2020 - 30.06.2020	01.01.2019 - 30.06.2019
	EUR	EUR
a) Derived from affiliated undertakings	25.829.601,48	27.793.616,38
b) Other interest and similar income	8.005.033,68	5.223.562,12
Total	<u>33.834.635,16</u>	<u>33.017.178,50</u>

Other interest and similar income mainly consist of gains from derivative agreements in amount of EUR 7.680.981,70 and reversal of unrealized exchange losses of EUR 324.051,98.

NOTE 14 INTEREST PAYABLE AND SIMILAR EXPENSES

	01.01.2020 - 30.06.2020	01.01.2019 - 30.06.2019
	EUR	EUR
Interest expense on bonds	20.861.395,22	24.840.651,54
Loss on exchange differences	5.822.461,74	708.769,19
Loss on derivatives	3615093.62	—
Loss on financial assets sold	1537500.00	1.745.334,32
Interest expense concerning affiliated undertakings	602.588,60	583.191,40
Total	<u>32.439.039,18</u>	<u>26.132.612,13</u>

NOTE 15 TAXES

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

The tax charges consist of the following:

Tax on profit or loss

	01.01.2020 - 30.06.2020	01.01.2019 - 30.06.2019
	EUR	EUR
Corporate Income Tax Luxembourg	—	50.090,11
Malta tax on Malta Branch revenue	—	1.383,02
Total	<u>—</u>	<u>51.473,13</u>

Other taxes

	01.01.2020 - 30.06.2020	01.01.2019 - 30.06.2019
	EUR	EUR
Foreign taxes	6.702,54	3.983,50
Net Wealth Tax	4.815,00	4.815,00
Total	<u>11.517,54</u>	<u>8.798,50</u>

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

During the Period ended June 30, 2020, the Company did not grant any loans to the Board of Directors (2019: nil)

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

During the Period ended June 30, 2020 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

Bond repurchases and maturity extension

In July 2020, the Company re-purchased USD 8,7 million of the issued 2020 USD Notes.

As noted above, following a vote of EUR bondholders, in August 2020 the maturity of the EUR bonds was extended from May 2021 to February 2022, and they are callable at 104% until that date

Covid-19

Covid-19 characterised as pandemic by WHO on 11 March is continuing to spread with increasing cases in autumn in many European countries, including where many of the operating businesses funded by 4finance S.A. (i.e. its debtors) are active.

The main source of income for the Company is interest income from the loans it issues to related entities. The main liabilities consist of its issued notes and the accrued interest expense. The Company's management is closely monitoring the operations of debtors that form a Group of related companies (referred as the Group) and its credit risk.

During the pandemic the Group has adapted its operations and has been able to provide continuous service to its customers. The executive committee of the Group meets regularly to monitor the situation and lead the Group's response. The Group's management has analysed potential adverse scenarios across all markets and concluded that the Company's debtors will be able to make interest payments and loan repayments to 4finance S.A. in an amount larger than the interest expense payments for the Company's notes and other liabilities. The Company's management thus concludes that the Company's cash position will remain above minimum operating levels during the forecasting period of the next 12 months.

Management

On 1 October, Kieran Donnelly rejoined the Group as CEO, and accordingly was appointed as a Category B Director of the Company, replacing Oyvind Oanes.

Statement of Management

The Management of 4finance S.A. is responsible for the preparation of the condensed interim financial statements of 4finance S.A..

The condensed interim financial statements are prepared on a going concern basis. The applicable set of accounting standards, 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 condensed interim financial statements.

To the best of Management's knowledge, the condensed interim financial statements present a true and fair view of the assets, liabilities, financial position and profit or loss of 4finance S.A. as at June 30, 2020 and December 31, 2019 and the results of their operations, changes in shareholders' equity for the six months periods ended June 30, 2020 and June 30, 2019.

The management report set out on pages 3 to 7 presents a fair review of important events that have occurred during the first six months of the financial year, and their impact on the condensed set of financial statements, as well as the principal risks and uncertainties for the remaining six months of the financial year.

These statements are provided according to the applicable Luxembourg Law on Transparency Requirements for Issuers.

On behalf of the Board of Directors



Fabrice Hablot
Category A director



Paul Andrew Goldfinch
Category B director